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National Priorities for the Investigation and Prosecution of White Collar Crime

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Report of The Attorney General

NATIONAL PRIORITIES FOR THE INVESTIGATION AND PROSECUTION OF WHITE COLLAR CRIME

Report of the Attorney General
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EXECUTIVE SUMMARY

This report describes the work of the United States Department of Justice during the period October 1979 through June 1980 in connection with the formulation of national white collar crime law enforcement priorities. Defining such priorities has been a matter of considerable interest within the Department for years. The Attorney General's order establishing the Economic Crime Enforcement Units (A.G. Order No. 817-79) directed the Assistant Attorney General in charge of the Criminal Division to develop proposals for national white collar crime law enforcement priorities to be submitted for approval to the Deputy Attorney General and the Attorney General. In furtherance of the Attorney General's order, the Criminal Division prepared and submitted an extensive report and specific recommendations on white collar crime law enforcement priorities, which serve as the basis for this report.

The national white collar crime law enforcement priorities, and the district priorities that will subsequently be established in a number of federal districts, constitute a major step forward in enhancing our efforts to combat white collar crime. They will serve several important purposes, including the following:

1. Improved coordination and allocation of limited federal investigative and prosecutive resources on both the national and district level;
2. Better coordination of federal, state and local law enforcement efforts directed toward white collar crime;
3. More comprehensive and timely identification of trends or patterns in white collar crime requiring legislative initiatives or special emphasis in the areas of prevention, detection, investigation or prosecution;
4. Expeditious development of new and more effective investigative techniques, prosecution practices, and training programs in white collar crime law enforcement;
5. Furtherance of consistency and equal justice in federal law enforcement, in conjunction with prosecutive guidelines for United States Attorneys; and
6. Improved communication between and among law enforcement officials, Congress, the business community and members of the general public concerning white collar crime problems, their impact on society, and appropriate public and private measures for dealing with them.

To supplement existing information with more current and more comprehensive data on white collar crime and corruption activity, the Criminal Division designed a lengthy White Collar Crime Information Request that was distributed to the major federal agencies and departments involved in the investigation and prosecution of white collar crime. The same Information Request was distributed to Department of Justice personnel directly involved in white collar crime matters, including the existing Economic Crime Unit Specialists in the field, Special Fraud or Corruption Units in United States Attorney offices, the Immigration and Naturalization Service, the Tax Division, and the Land and Natural Resources Division. All told, 240 respondents in 21 federal departments and agencies provided information concerning known or suspected white collar crime activity in every region of the country, along with their respective views on which deserved to have priority status. The FBI provided information concerning white collar crime activity from a Fiscal Year 1979 survey of all its field offices. The Bureau updated that information with additional data collected in a February 1980 survey. Most of the information serving as the basis for this report was provided during the months of January and February 1980.

In analyzing the massive amount of information gathered, the Criminal Division assumed the following to be the broad, underlying objectives of federal law enforcement efforts directed at combatting white collar crime (no ranking implied):

1. The protection and enhancement of the integrity of governmental institutions and processes;
2. The protection and enhancement of the integrity of the free enterprise system, the competitive marketplace and the nation's economy generally;
3. The protection and enhancement of the well-being of the individual citizen, including his or her health, safety, physical environment and opportunities to exercise political, economic and other fundamental rights; and
4. The enhancement of the public's respect for and compliance with the nation's laws generally.

In assessing the significance of various white collar crime problems and in defining white collar crime priorities, the following attributes of each criminal activity were studied:

1. Its scope and frequency;
2. The immediate victims and their losses;
3. The secondary victims and their losses;
4. The individuals and institutions involved as perpetrators and accomplices;
5. Any connection with organized crime or other criminal activity[1] ;
6. The availability and feasibility of prevention or self-protection by the victims;
7. The need for federal law enforcement involvement;
8. Problems and obstacles confronting increased federal emphasis;
9. The benefits and costs likely to result from increased federal emphasis; and
10. Any other important factors.

With the above-mentioned objectives and decision-making factors in mind, white collar crime activity was divided into seven broad categories. These categories reflect the different, broad groups of institutions and individuals victimized by white collar crime: 1) Government institutions and processes; 2) Government treasuries and taxpayers; 3) Private institutions; 4) Consumers; 5) Investors; 6) Employees; and 7) Members of the public generally.

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[1] The participation of traditional organized crime figures in white collar crime matters may make those matters organized crime law enforcement priorities, regardless of the presence or absence of other attributes; some white collar crime matters, however, involve non-traditional organized crime or other "organized" criminal activity. The presence of this type of activity is a factor to be considered in determining the relative significance of white collar crime problems.

Based on the factors listed above and all information available, and after consultation with each of the federal departments and agencies involved, the following criminal offenses within each major category of white collar crime are designated as national law enforcement priorities:

NATIONAL WHITE COLLAR CRIME PRIORITIES

A. Crimes Against Federal, State or Local Government By Public Officials

Federal corruption – procurement[2]

Federal corruption – programs[2]

Federal corruption – law enforcement[2]

Federal corruption – other[2]

State corruption – major officials[3] ; other employees where corruption is systemic

Local corruption – major officials[4] ; other employees where corruption is systemic

B. Crimes Against the Government By Private Citizens

Federal procurement fraud, non-corruption – $25,000 or more in aggregate losses

Federal program fraud, non-corruption – $25,000 or more in aggregate losses

Counterfeiting of U.S. currency or securities

Customs violations – duty violations, $25,000 or more in tax revenue losses, one transaction, or $50,000 or more in tax revenue losses, multiple transactions; currency violations, $25,000 or more in currency, one transaction, or $50,000 or more in currency, multiple transactions

Tax violations – major federal tax violations[5]

Trafficking in contraband cigarettes – $100,000 or more in aggregate tax revenue losses

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[2] For some purposes, this item can be consolidated with other federal corruption items into one "federal corruption" category; however, it should remain as a separate item for record-keeping purposes.

[3] Major officials = governors, legislators, department or agency heads, court officials, law enforcement officials at policymaking or managerial level, and their staffs.

[4] Major officials = mayors, city council members or equivalents, city managers or equivalents, department or agency heads, court officials, law enforcement officials at policymaking or managerial level, and their staffs.

[5] Priority matters are identified on a case-by-case basis by the Tax Division, in collaboration with the Internal Revenue Service, taking into account the amount of tax revenue losses and the adverse impact of the violation on the federal tax system.

C. Crimes Against Business

Insurance fraud, including arson for profit – $250,000 or more in aggregate losses or two or more incidents perpetrated by the same person or persons

Advance fee schemes – $100,000 or more in aggregate losses or 10 or more victims

Bankruptcy fraud – $100,000 or more in aggregate losses

Other major crimes against business – fraud involving $100,000 or more in aggregate losses; labor racketeering; copyright violations involving manufacturers or distributors, distribution in three or more states or countries, and $500,000 or more in aggregate losses

Bank fraud and embezzlement – $100,000 or more in aggregate losses

D. Crimes Against Consumers

Consumer fraud – $100,000 or more in aggregate losses or 25 or more victims

Antitrust violations – price fixing, including resale price maintenance and other schemes affecting the food, energy, transportation, housing, clothing and health care industries; collusive activities involving public works projects or public service contracts – $1,000,000 or more in commerce affected

Energy pricing and related fraud – $500,000 or more in costs reported or prices charged for energy products

E. Crimes Against Investors

Securities fraud – $100,000 or more in aggregate losses

Commodities fraud – $100,000 or more in aggregate losses

Land, real estate and other investment frauds – $100,000 or more in aggregate losses

F. Crimes Against Employees

Union official corruption – embezzlement of union pension, welfare or other benefit funds involving $25,000 or more in aggregate losses; bribery or kickbacks to union officials involving $5,000 or more in the aggregate

Life-endangering[6] health and safety violations: OSHA, Mine Safety

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[6] Life-endangering violations include business practices and other acts or products that are likely or may be reasonably foreseen to cause death or serious bodily injury to human beings (including a human fetus); serious bodily injury means an impairment of physical condition, including physical pain that a) creates a substantial risk of death or b) causes permanent disfigurement, unconsciousness, extreme pain or permanent or protracted loss or impairment of the function of any bodily member, organ, or mental faculty.

G. Crimes Affecting the Health and Safety of the General Public

Discharge of toxic, hazardous or carcinogenic waste in excess of federal statutory or regulatory limits

Life-endangering[6] violations of health and safety provisions and regulations pertaining to food, drugs, consumer products, nuclear power facilities and other federally regulated goods and facilities

The national white collar crime law enforcement priorities will be successful in achieving these and other objectives only if the members of the federal law enforcement community modify their respective goals and procedures to encourage implementation of these priorities and to allow periodic evaluation of progress in carrying out those priorities.

The following federal agencies and individuals will be primarily affected by the white collar crime priorities:

1. United States Attorneys;
2. Other Department of Justice Attorneys including attorneys in the Criminal Division, the Antitrust Division, the Tax Division, and the Land and Natural Resources Division;
3. Federal Bureau of Investigation;
4. Other major federal investigative agencies, including the Bureau of Alcohol, Tobacco and Firearms, the Customs Service, the Postal Inspection Service, the Secret Service and the Securities and Exchange Commission; and
5. Inspectors General and equivalents.

The Deputy Attorney General, with the assistance of the Criminal Division and the Executive Office for United States Attorneys, will supervise the implementation of the national law enforcement priorities. Each of the above-listed agencies will be asked to report both current and future activity with respect to priority areas along a number of different dimensions, so that the Department can periodically assess the impact of the national and district priorities.

The information the Department collected concerning white collar crime activity will be updated periodically so that national and district priorities can be reevaluated. This will be accomplished through an Information Update Request distributed to investigative agencies and others annually.

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NATIONAL PRIORITIES FOR THE INVESTIGATION AND PROSECUTION OF WHITE COLLAR CRIME

This report describes the work of the United States Department of Justice during the period October 1979 through June 1980 in connection with the formulation of national priorities for the investigation and prosecution of white collar crime. The first part of this report briefly reviews the background for this project and then discusses the information-gathering effort that took place in order to provide a comprehensive view of current white collar crime problems. The second part of the report describes the analytical framework used by the Department in reviewing the information gathered and in formulating national law enforcement priorities. National priorities are identified and discussed in the third part. The final section of the report discusses the purposes to be served by national and district priorities and procedures for implementing those priorities and periodically evaluating their impact.

The focus of this report is national white collar crime priorities. The next phase of this project, which is already underway, involves the formulation of district white collar crime priorities in a number of federal districts. In this report, district priorities are discussed only to the extent they affect the implementation of national priorities. This report does not address all of the interesting aspects of white collar crime law enforcement. It is limited to those issues that appear to have the greatest impact on the problems at hand–defining, implementing and measuring the impact of national white collar crime law enforcement priorities.

I. BACKGROUND

A. Genesis of the Project

The idea of having law enforcement priorities in the white collar crime area has been a matter of interest and some discussion within the Department for years. Focusing one's limited resources on those activities perceived to have the greatest potential for social benefits is a fundamental operating principle for any governmental entity. Interest in effectively targeting resources heightens as those resources become more scarce relative to the demands placed upon them.

Increased interest in white collar crime both within and outside the Department has produced the following:

1. An appreciation of the immensity of the problem and the practically limitless nature of the demands it could place on law enforcement resources;

2. Increased expectations and competing demands within and among Congress, the general public and the law enforcement community with respect to the use of law enforcement resources against various types of white collar crime; and

3. Increased demands for accountability concerning the use of law enforcement resources against white collar crime–how resources are being deployed, why, and with what results.

All of the above make white collar crime law enforcement priorities a matter of great urgency and importance.

In creating the Economic Crime Enforcement Units, Attorney General Griffin B. Bell recognized the importance of white collar crime law enforcement priorities. His order states, in pertinent part:

> "The national, regional and district priorities in the broad areas of fraud and corruption shall be approved and set by the Deputy Attorney General. The Assistant Attorney General in charge of the Criminal Division . . . shall develop proposals for national and regional priorities. Each United States Attorney shall select specific priorities within the national policy that are particular to their federal districts with the concurrence of the Assistant Attorney General in charge of the Criminal Division." (Paragraph 6a., A.G. Order No. 817-79)

In furtherance of this Order, the Criminal Division, in particular the Office of Policy and Management Analysis, the Office of Economic Crime Enforcement, and the Fraud, Public Integrity, and General Litigation and Legal Advice Sections, respectively, designed an Information Request for gathering information concerning white collar crime activity on a nationwide basis from all relevant sources. This information would allow national white collar crime enforcement priorities to be defined in a reasonable, workable and informed manner. The first step involved deciding what kind of information from what sources was needed and then creating a vehicle for the collection of that information.

B. Information-Gathering Process

During November and December of 1979, an Information Request was prepared and distributed to the major federal investigative agencies and departments involved in the investigation and prosecution of white collar crime. The same Information Request was distributed to Department of Justice personnel directly involved in white collar crime matters, including the existing Economic Crime Unit Specialists in the field, Special Fraud or Corruption Units in United States Attorneys' offices, and other parts of the Department involved in or affected by white collar crime. The Federal Bureau of Investigation provided information from a recently conducted survey concerning white collar crime activity in lieu of sending the Department's Information Request to each FBI field office.

The agencies and offices providing information to the Division with respect to white collar crime problem areas are listed on the following page. The Information Requests were distributed in late December 1979. Responses were received during January and February 1980.

With the assistance of personnel in the Systems Design and Development Staff of the Justice Management Division, the data contained in the Information Requests were coded and entered into computer storage so that they could be sorted and retrieved in usable form. Existing computer programs were adapted to meet the white collar crime priorities project's needs. The data storage and retrieval system used for this project is the same as that used for litigation support, including grand jury and other sensitive material, and is subject to the same security protections and access limitations.

C. Nature of the Information

The Information Request was divided into three parts. The first part asked each respondent to identify the types of white collar crime activity occurring within his or her geographic and substantive areas of responsibility and to indicate the frequency of occurrence. The second part asked each respondent to consider the white collar crime occurring in his or her area and, taking

TABLE 1
Sources of Information

Agency	Number of Responses/Source
1. Bureau of Alcohol, Tobacco and Firearms	29/District offices
2. Customs Service	37/District offices
3. Postal Inspection Service	5/Regional offices
4. Secret Service	53/Field offices
5. Securities and Exchange Commission	10/Headquarters and nine regional offices
6. Department of Agriculture	1/IG Office
7. Department of Commerce	1/IG Office
8. Department of Defense	3/DOD Investigations Office, Air Force Investigations Office, Navy Investigative Office
9. Department of Energy	1/IG Office
10. Department of HEW	1/IG Office
11. Department of HUD	10/Regional IG Offices
12. Department of Interior	1/IG Office
13. Department of Labor	1/IG Office
14. Department of Transportation	1/IG Office
15. EPA	1/IG Office
16. GSA	1/IG Office
17. NASA	1/IG Office
18. SBA	1/IG Office
19. VA	1/IG Office
20. Economic Crime Units/Special Fraud or Corruption Units	20/ECU Specialists or Unit chiefs
21. FBI	58/Field offices
22. Other Department of Justice	
INS	1
Tax Division	1
Land and Natural Resources Division	1
Total Number of Responses	240

into account a number of specified factors,[7] to list in order of importance the top five to ten illegal activities deserving investigative or prosecutive emphasis. For each illegal activity so identified, the respondents were asked to provide the following information:

1. The nature of the illegal scheme;
2. Where the scheme operates;
3. Primary participants in the scheme;
4. Types of businesses or professions involved as perpetrators;
5. Government or political officials involved as perpetrators or knowing accomplices, if any;

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[7] The factors specified were the following: 1. The total amount of direct dollar or property losses; 2. The number of victims involved; 3. Any special impact on individual victims; 4. Impact on the respect for and trust of public institutions and officials; 5. The ability of potential victims to protect themselves; 6. Impact, if any, beyond the direct victims involved; and 7. The history and circumstances of the suspected offender, including connection with other criminal activity.

6. Type of public corruption involved, if any;
7. Number and type of victims and losses;
8. Profits or benefits to perpetrators;
9. Prior enforcement experience with respect to the illegal activity;
10. Level of state and local enforcement activity targeted against the illegal activity;
11. Susceptibility to various kinds of investigative and detection techniques; and
12. Effect of increased investigation and prosecution on likelihood of conviction, deterrence, and other kinds of illegal activity.

Over 200 different types of white collar crime activity were identified as priority or problem areas by respondents. Over 1,600 descriptions of the priority areas identified, providing some or all of the information listed above, were received.

The third part of the Information Request asked each respondent to list three things: 1) the industries exerting substantial influence over the economy in the respondent's region of the country, indicating those involved in or affected by illegal activity; 2) the five major industries supplying goods or services to governmental entities in the respondent's region; and 3) any areas of white collar crime deserving less investigative and prosecutive emphasis.

Each respondent was asked to describe not merely ongoing areas of investigation, but also other problem areas or areas of potential investigation and prosecution deserving attention. The Information Request thus required that each respondent use his or her professional judgment regarding the relative magnitude and importance of white collar crime problems.

The FBI agreed to supplement the information contained in its earlier white collar crime survey by asking each of its field offices to identify the most significant white collar crime problems in their respective areas as of February 1980. The results of that supplemental survey are summarized in Appendix C and discussed in various parts of this report.

Several comments regarding the information collected during this project are in order. First, it should be noted that the Inspector General Office of the Community Services Administration chose not to participate in the information-collection process. The Internal Revenue Service was not asked to provide information, in light of existing sensitivity regarding the tax information collected by that agency. Information from public reports by these agencies and from other sources has been collected to minimize gaps in the information base.

Secondly, to the extent that agency responses only mirror the current case loads of those agencies, there is the potential danger that new, developing white collar crime problems were overlooked or underemphasized. Enforcement strategies based on such information would thus be more reactive and less forward-looking than desirable. It is difficult to gauge the character of the collected information in this regard, but to minimize the danger of being purely reactive, the information has been and will continue to be supplemented with the judgment of Criminal Division, FBI and other Department personnel regarding trends and new developments in white collar crime. Information identifying potential problem areas has been gathered from other sources as well, including the National District Attorneys Association and the news media.

In sum, the information collected during this project is by no means perfect or totally comprehensive. However, it is by far the most comprehensive information the Department has ever collected concerning white collar crime. It offers new insights into the magnitude, *modus operandi* and interrelationships of various types of white collar crime. While the information gathered can be improved upon in the future, it is more than sufficient to make reasonable and informed judgments concerning white collar crime law enforcement priorities.

II. AN ANALYTICAL FRAMEWORK FOR DEFINING PRIORITIES

The choice of national white collar crime law enforcement priorities involves conceptual, strategic and, most importantly, policy judgments. In the following discussion we attempt to make as explicit as possible the steps taken in analyzing the data at our disposal and the alternatives considered in defining national priorities. We define the criteria we think should be applied in defining white collar crime priorities. Different conclusions can be reached by using other sets of criteria or by weighting the same criteria differently. We recognize, and indeed emphasize, that priority choices are not the inevitable, objective result of pure reason and logic. They are rather the result of informed, subjective judgments based on a systematic analysis of known facts and best estimates.

A. Definitional Considerations

One threshold question that may be asked is how we define "white collar crime" for purposes of determining national priorities. While that question is obviously relevant, and has important ramifications for this and other white collar crime initiatives, it need not be the subject of controversy or extended discussion in the context of this project. For purposes of gathering and analyzing information concerning white collar crime activity, the Criminal Division implicitly accepted the working definition of white collar crime endorsed by the Attorney General's White-Collar Crime Committee in early 1977:

> "White-Collar offenses shall constitute those classes of non-violent illegal activities which principally involve traditional notions of deceit, deception, concealment, manipulation, breach of trust, subterfuge or illegal circumvention."

The scope of this project is also consistent with the FBI's working definition of white collar crime.[8]

The more important question to be considered is how white collar crime law enforcement priorities should be defined. White collar crime offenses are defined in the law enforcement community and elsewhere in a number of ways: 1) by the *victim* (e.g., fraud against business, fraud against the government); 2) by the alleged *offender* (e.g., corruption of state elected officials, fraud by federal program beneficiaries); 3) by the criminal *statute* involved (e.g., wire fraud, Hobbs Act violations); 4) by the *type of activity* or transaction involved (e.g., advance fee schemes, bankruptcy fraud); or 5) by some combination of the above (e.g., fraud against the government by local program administrators involving CETA funds).

The white collar crime offenses described by respondents to the Department's Information Request were defined in different ways. The offenses involving government programs or procurement were generally described by citing the program or government agency involved (e.g., misuse of SBA loans or Department of Defense procurement fraud), but not always (e.g., overbilling of U.S. government by construction contractors). The offenses involving corruption were generally defined according to the position of the alleged offender and the type of corruption (e.g., bribery of state alcoholic beverage control officials), but not always (e.g., Hobbs Act corruption activity). Offenses victimizing investors were generally described by the nature of the scheme (e.g., Ponzi schemes or commodities fraud), while other offenses were described by the statute being violated (e.g., currency export violations or Securities Act violations).

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[8] "Those illegal acts characterized by deceit, concealment, violation of trust, and not dependent upon the application or threat of physical force or violence. They are committed to obtain money, property, or services; or to avoid the payment or loss of money, property, or services; or to secure personal or business advantage." *(See* GAO Report, *Resources Devoted by the Department of Justice to Combat White-Collar Crime and Public Corruption,* March 19, 1979, App. I, p.1.)

Upon analysis, we conclude that for purposes of defining national law enforcement priorities, most of the ways in which white collar crime offenses have been traditionally defined by law enforcement agencies and the public are not workable. The traditional descriptions serve as useful, and necessary, building blocks for analysis. However, they are, for the most part, not useful as expressions of law enforcement priorities, as explained in Section D below.

B. Fundamental Law Enforcement Objectives and Categories of White Collar Crime

There are certain fundamental objectives that seem to underlie all of our efforts in the field of white collar crime law enforcement. While these objectives can be defined in a number of ways, for purposes of this report we define them as follows:

1. To protect and enhance the integrity of governmental institutions and processes;
2. To protect and enhance the integrity of the free enterprise system, the competitive marketplace and the nation's economy generally;
3. To protect and enhance the well-being of the individual citizen, including his or her health, safety, physical environment and opportunities to exercise political, economic and other fundamental rights; and
4. To enhance public respect for and compliance with the nation's laws generally.

These broad objectives suggest a useful way of grouping white collar offenses for purposes of determining priorities. They force us to think in terms of the type of harm inflicted upon society by white collar crime. Thinking in these terms, white collar crime activity can be grouped into the following categories:

A. Criminal Activity Threatening the Integrity of Government Institutions and Processes
B. Criminal Activity Defrauding the Government, Reducing the Effectiveness of Government Programs and Resulting in Higher Government and Taxpayer Costs
C. Criminal Activity Victimizing Business Enterprises
D. Criminal Activity Victimizing Consumers
E. Criminal Activity Victimizing Investors and the Integrity of the Marketplace
F. Criminal Activity Victimizing Employees
G. Criminal Activity Threatening the Health and Safety of the General Public

The discussion of national priorities in the next part of this report is organized according to these categories.

While the above-stated law enforcement objectives are helpful in grouping white collar crimes into relatively discrete categories, they are of limited use in choosing specific law enforcement priorities. The direct impact of specific types of white collar crime activities on such broad objectives is difficult to measure, due to their general nature.

More specific decision-making criteria are needed in order to analyze the various types of white collar crime and to make judgments about their relative significance. These criteria and their usefulness in choosing priorities are discussed below.

C. Criteria for Choosing Priorities

In choosing and defining white collar crime priorities, one must have in mind a set of criteria which, when applied to specific kinds of illegal activity, make some more significant or worthy of attention than others. Discussions with Department personnel and others indicate that a number of questions are generally raised, explicitly or implicitly, when one is asked to make judgments about the relative importance of white collar crime activities. These questions revolve around the victims, losses, offenders, complexity and other aspects of the illegal activity. They include the following:

1. Who are the victims, both individuals and institutions? What are their losses, both tangible and intangible? Is there especially severe impact on some? Are the victims in any sense culpable? Could they have adequately protected themselves before or after the crime?
2. Who are the alleged offenders? Are they or have they been involved in other illegal activity? Do they occupy positions of trust of either a public or private nature? Are the proceeds of the illegal activity being used to finance or promote other types of crime?
3. What is the nature of the illegal scheme? Does it involve activities that are especially difficult to detect and prevent? Is the fraud, deceit or corruption involved particularly offensive or heinous? Is it likely to grow if left unhindered?
4. Is federal law enforcement involvement necessary and appropriate? Is there federal jurisdiction over the crime? What is the level and effectiveness of state and local law enforcement activity? What impact would increased federal involvement have on the conviction of offenders, the deterrence of potential offenders, and the occurrence of other kinds of criminal activity?

We have attempted to translate the concerns implicit in these and other questions into meaningful criteria that can be used for analytical and decisionmaking purposes. These criteria are as follows:

1. **The pervasiveness of the illegal activity** – how widespread is it and how frequently does it occur?
2. **The immediate victims and their losses** – how many and what types of victims? tangible and intangible losses to individual and institutional victims? distribution of the losses (widely spread or concentrated on certain victims)? impact on integrity of public and private institutions?
3. **The indirect or secondary victims and their losses** – what impact beyond the immediate victims? tangible and intangible losses to individual and institutional victims? distribution of the losses? impact on integrity of public and private institutions?
4. **Individuals and institutions involved as perpetrators or accomplices** – who are they? do they occupy special positions of trust? do they have a history of criminal involvement?
5. **Connection with organized crime or other criminal activity** – is there any indication that organized criminal groups or other criminal activity is associated with the illegal activity? what is the relationship?

6. **Availability and feasibility of prevention or self-protection by victims** – could the illegal activity be minimized or prevented by self-protection efforts of its victims? what is the current level of self-protection efforts? is the illegal activity susceptible to civil recovery or other civil action by victims?

7. **Need for federal law enforcement involvement** – is the illegal activity primarily or solely within federal jurisdiction? what is the level and effectiveness of state and local law enforcement activity addressed to this illegal activity? other reasons for federal emphasis?

8. **Problems and obstacles confronting increased emphasis** – are there problems, such as lack of investigative/prosecutive expertise, that would hinder increased law enforcement efforts? are there jurisdictional problems among federal agencies that might interfere? what organizational goals and procedures would have to be changed to address this problem more vigorously?

9. **Benefits and costs resulting from increased federal emphasis** – what kind of resources would be required to address the problem effectively? what benefits would flow from increased federal involvement both with respect to the particular illegal activity in question and others, e.g., increased public awareness, deterrence, knowledge regarding other types of crime? what opportunity costs are involved?

10. **Other important factors** – are there other legitimate reasons for making or not making this a priority area? intense Congressional or public interest? opportunity to consolidate or make more efficient federal law enforcement efforts?

Each of these criteria needs to be considered in choosing national white collar crime law enforcement priorities. They are each addressed, to the extent our information allows it, in our discussion and analysis of potential priorities.

D. Describing Law Enforcement Priorities

The above criteria indicate why traditional descriptions of white collar crime offenses do not necessarily suffice as descriptions of priorities, as mentioned earlier. We are seldom interested in focusing on a particular kind of illegal activity simply because of the government program involved, or because of the type of suspected offender, or because of the particular type of fraud or deceit involved. In most cases, we are interested in more–the magnitude and impact of the crime (measured geographically, monetarily or otherwise), the number and perhaps types of victims, and/or connection with other criminal activity. This suggests that in defining law enforcement priorities, we should consider adding qualifying terms to the more traditional white collar crime descriptions.

The FBI has partially accomplished this in defining its white collar crime priorities. For example, frauds against the major federal departments and agencies involving government officials or losses in excess of $25,000 are priority matters; other frauds against the government are not.[9] Interstate transportation of stolen securities or negotiable instruments worth $50,000 or more is a priority matter; interstate transportation of the same items valued at less than $50,000 is not a priority matter.[10] Copyright matters involving manufacturers and distributors of sound recordings or motion pictures are priorities; other copyright matters are not.[11] Domestic or international fraud by wire involving in excess of $25,000 *or* 10 or more victims is a priority; other frauds by wire are not.[12]

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[9] *See* Appendix A, describing the FBI's white collar crime classifications.

[10] *Ibid.*

The FBI's priority descriptions described above are a step in the right direction, but additional qualifying terms seem appropriate for other kinds of white collar crime. Such priority descriptions are particularly important when the implementation and evaluation of priorities are considered. Priorities defined simply as "CETA fraud" or "Offenses involving Hobbs Act violations" do not send the proper signals to investigators and prosecutors and would not effectively target resources, unless we care about all such offenses regardless of their magnitude, their victims, or other attributes. The types of white collar crime that deserve such across-the-board emphasis are, in our view, very limited.

E. Grouping the Data for Analysis

The Department's Information Request contained a suggestive list of types of white collar crime, indicating the specificity with which the respondents should identify priority or problem areas. In answering the Request, the respondents added specific types of offenses to the suggestive list, as necessary, in order to describe illegal activities occurring within their respective areas and not on the list. The result was an extended "Master List" of white collar crimes, containing over 300 items (see Appendix B).

In order to analyze the information provided, the types of white collar crime described by the respondents had to be grouped into packages that seemed to make sense. This packaging of the data was done initially by members of the Criminal Division's Office of Policy and Management Analysis. When the packages of information were analyzed by members of the relevant sections of the Criminal Division, some crimes were re-grouped in order to make analysis more manageable or meaningful.

The result was approximately 50 groups of crime, with the contents of each group summarized on a two to three page "Summary Fact Sheet". In addition to the Summary Fact Sheets, other information, including a description of the respondents identifying that type of illegal activity as a priority area and other relevant material, was collected for each illegal activity. These materials form the basis for the analysis and the conclusions contained in this report.

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[11] *Ibid.*

[12] *Ibid.*

III. ANALYSIS AND RECOMMENDATIONS

Before analyzing crimes within various categories, some overview of the information the Department has gathered is appropriate. The figures given below, however, should be viewed with caution. The first table (Table 2) ranks various types of white collar crime according to how many respondents identified each crime as a problem or priority area. The table also shows how many different agencies identified each crime as a priority area.

In reviewing these numbers, one should bear in mind the distribution of those responding to the Information Request. Some investigative agencies sent the Request to all district or field offices (Secret Service, Customs, ATF), while others sent it to regional offices (SEC, Postal Inspection) or responded from headquarters only (most Inspectors General). Thus, if some types of illegal activity have a high number of respondents identifying them as priority areas, it may be partially attributable to the fact that the agency with jurisdiction over that activity had a larger number of field offices providing responses to the Information Request. An illegal activity identified as a priority by only a few respondents may nevertheless be a problem of great magnitude, if, for example, those few respondents are Inspector General offices with nationwide responsibility and large programs to monitor.

Secondly, the information in Table 2 reflects the information contained in the FBI's FY 1979 surveys of its field offices. That information was of a somewhat different nature than that provided by respondents to the Division's Information Request and therefore some interpretation of the FBI surveys has been necessary in order to make the data comparable. The more recent survey of FBI field offices, asking for identification of top problem areas as of February 1980, is summarized in Table 3.

Thirdly, the grouping of information into types of illegal activity obviously required some judgment. For example, real estate frauds are separated from other types of investor fraud in the table below. Had they been consolidated, a larger category of "All Investor Fraud" would most likely have shown more agencies and more respondents reporting it as a priority area, and therefore would have appeared higher on the table.

In sum, the following table indicates in only a very general and rough way the relative frequency with which various types of illegal activity are viewed as deserving priority status. The numbers should be viewed with all of the above caveats in mind.

Some of the results of the February 1980 FBI survey are summarized below. A more complete summary is provided in Appendix C to this report. Essentially, the FBI field offices were asked to do two things: 1) rank four major *categories* or *program areas* of white collar crime–corruption, financial crimes, federal program fraud, and other white collar crime–in order of importance; and 2) list, within each of the four major program areas, the *three most significant problems* in their respective geographical areas of responsibility.

As shown in more detail in Appendix C, the 61 FBI field offices responding generally indicated corruption as their number one program area (54% ranked corruption as number 1), with financial crimes second (33%), federal program fraud third (11%) and other white collar crime last (2%). The specific illegal activities listed most frequently by the FBI field offices as their most significant problem areas are listed below.

The figures contained in Tables 2 and 3 are of some utility in giving a general sense of investigative agencies' and others' perceptions of major white collar crime problems. Much more important in determining priorities, however, is the specific information about each major type of

TABLE 2

Summary of Number of Agencies and Respondents Identifying Various Types of Illegal Activity as Priority/Problem Areas

Code	Type of Illegal Activity	Number of Agencies Identifying As Priority/ Problem Area	Number of Respondents Identifying As Priority/ Problem Area*
B01, B02, B06, B12, B24, others	Fraud and Corruption involving federal procurement	13	53
F05, F07, F08, others	Victimization of private institutions (including embezzlement, looting, espionage, extortion, *but not* bank fraud and embezzlement)	6	50
G02, G06	Customs violations (including currency, munitions control, other export/import violations)	4	45
F02, F03	Insurance fraud (including arson for profit)	4	42
E22, E25, E34, E47, others	Corruption of state and local officials	7	39
C07, C08, C12, others	Investor Fraud, other than real estate fraud (including commodities, precious metals, tax shelter fraud, and Ponzi schemes)	4	38
C01	Advance fee schemes	6	37
A06, A41 through A51	Fraud involving federal housing program funds (loans, grants and subsidies)	4	36
D02, D12	Embezzlement, misappropriation of union funds, including pension and other benefit funds	6	35
F04, F18	Bank fraud and embezzlement	5	34
C34, E02	Planned bankruptcies, bust outs	4	33
A01	Fraud involving CETA programs	5	30
F09	Use of fictitious collateral to get credit or business	5	27
A09, A29	Medicare/Medicaid or CHAMPUS fraud	4	26
C02	Real estate fraud	6	24

Table 2 (continued)

Code	Type of Illegal Activity	Number of Agencies Identifying as Priority/ Problem Area	Number of Respondents Identifying as Priority/ Problem Area
C04, C05	Consumer fraud (including insurance fraud, merchandise swindles, phony contests)	6	22
E03	Tax fraud	6	21
C03, C16	Securities fraud, market manipulation	3	21
E07, E19, E33, E43, others	Corruption of federal officials other than procurement-related corruption	7	19
A07, A23, A52	Fraud involving student loans and grants	4	19
G05	Copyright violations	3	18
A03, A40	SBA loan fraud	5	15

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*Indicates total number of responding offices, i.e., investigative agency field offices, Inspector General offices, Economic Crime Units, etc., identifying illegal activity as a priority or problem area.

TABLE 3

Illegal Activities Most Frequently Identified As Significant Problem Areas By FBI Field Offices – February 1980

Priority/Problem Area	Number of Field Offices Identifying as Problem Area
1. Corruption of state and local officials, including kickbacks to purchasing agents, inspectors, legislators, members of judiciary, etc.	43 (71%)*
2. Bank fraud and embezzlement	37 (61%)
3. Labor-related corruption	28 (46%)
4. Housing/HUD frauds, including VA/FHA frauds	28 (46%)
5. Copyright matters	28 (46%)
6. Procurement-related corruption of federal officials, including GSA and Defense	27 (44%)
7. Advance fee schemes	23 (38%)
8. Fraud involving health, rehabilitation and welfare programs, including Medicare/Medicaid	23 (38%)
9. Fraud involving CETA funds and other Department of Labor Programs	23 (38%)
10. Wire fraud/mail fraud, scheme unspecified	22 (36%)
11. Bribery, corruption of federal officials other than procurement-related corruption	21 (34%)
12. Bankruptcy Act/bust out schemes	21 (34%)
13. Fraud involving SBA loans or benefits	18 (30%)
14. Overbilling, fraud against the government involving construction and service contractors	16 (27%)
15. Investor fraud generally, including Ponzi schemes, franchise fraud, business opportunity fraud	15 (25%)

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* Figures in parentheses indicate percentage of total number of responding offices (61) identifying the illegal activity as a significant problem.

white collar crime provided by these agencies and collected from other sources. The discussion below is based on that information; however, it is limited to what appear to be the most significant attributes of each crime, consistent with the criteria described earlier for choosing national priorities.

A. Criminal Activity Threatening the Integrity of Government Institutions and Processes

This category includes four broad areas of illegal activity:

1. Corruption of federal officials, other than GSA corruption
2. GSA corruption
3. Corruption of state and local officials
4. Bribery of foreign government officials

GSA corruption is treated separately from other federal corruption at the suggestion of the Public Integrity Section, which reviewed and summarized all public corruption-related data. The focus of this category is on corrupt activities that threaten the integrity of government institutions and procedures. These corrupt activities are often connected with fraud against the government by outsiders, particularly procurement and program fraud. The latter type of abuses, which have a major impact on government and taxpayer costs, are treated in more detail in the next section of this report.

1. Corruption of federal officials, other than GSA corruption

This type of illegal activity involves procurement-related kickbacks and bribery, corruption related to federal programs and the awarding of grants or subsidies, bribes to federal inspectors, and bribes to various law enforcement officials. It also includes corruption of federal elected officials and members of the federal judiciary, although corrupt activity among these officials was less frequently reported than Executive Branch corruption.

Corrupt activity among federal employees was reported nationwide, but was particularly present in the larger cities where federal regional offices are located and federal programs are administered. Program fraud involving corruption was widely reported. Every major federal department and agency seems affected. Procurement-related corruption affects all agencies, but GSA and the Department of Defense were most frequently mentioned. Inspection-related corruption was most-mentioned in connection with the Department of Agriculture and HUD. Bribery of officials for other favors was mentioned in connection with a number of federal agencies.

Some organized crime involvement is indicated, but most corrupt activity involves individual offenders in government and individuals or businesses outside government, independent of other criminal activity. The immediate victims of corrupt activity are honest contractors and seekers of federal business or assistance who lose business or benefits. The ultimate victims of this activity are government institutions and processes as a whole: public respect declines, morale among government employees suffers, and legitimate government programs and activities are curtailed. Taxpayers also lose, due to increased government costs, inefficient use of tax dollars, and ineffective government operations. The general public loses to the extent that laws aimed at protecting their health, safety or economic well-being are circumvented or ignored.

Obstacles confronting law enforcement efforts directed at federal corruption include the extensive commitment of resources usually required for investigation and prosecution, and, in some instances, turnover and consequent lack of continuity among federal investigators and prosecutors. Public interest in rooting out and punishing corrupt officials creates a favorable atmosphere for increased federal emphasis, but also fosters demands for tangible, significant and swift results.

The harm inflicted on society by these types of illegal activity is, for the most part, immeasurable. There is, however, little disagreement that the impact is great and that federal law enforcement emphasis is a necessity. A series of national priorities focusing on different types on federal employee corruption is appropriate.

2. GSA Corruption

GSA corruption is not different in character from the procurement-related corruption that takes place in other agencies. Because of the central authority that GSA retains in procuring office equipment and other goods for federal agencies and departments, the dollar losses associated with GSA corruption probably exceed those of many other types of public corruption. Because of recent publicity, the impact of GSA corruption on the public's respect for government institutions and officials may also be greater than the impact of other kinds of federal corrupt activity. This same publicity has also heightened public and Congressional interest in focusing law enforcement efforts on GSA corruption.

Notwithstanding all of the above factors, we are not convinced that GSA corruption deserves separate treatment in terms of law enforcement priorities. The type of harm resulting from this illegal activity does not appear to differ sufficiently in degree or character from other federal corruption to merit a special priority designation.

3. Corruption of State and Local Officials

As indicated earlier in this discussion, corruption of state and local officials is one of the most frequently identified white collar crime problem areas. This kind of corruption was among the top five problem areas identified by respondents to the Information Request, with seven different agencies and thirty-eight (38) different respondents designating it as a priority area (see Table 2). It was the most frequently mentioned problem area in the recent FBI survey, with 71% of the field offices reporting it as one of their most significant problems (see Table 3).

This category of corruption involves a large number of different types of illegal activity by different types of state and local officials. It involves extortion by or bribery of elected, appointed and civil service officials in connection with awarding contracts for goods and services, introducing favorable legislation, providing a license or permit, falsifying inspection reports, lowering tax assessments, and other favorable acts. It also involves bribery of court officials, police officers, and other law enforcement officials in return for favorable treatment.

The impact of state and local corruption is similar to that of federal corruption, but in many ways is more severe. In terms of public respect for government institutions and processes, local and state governments are much more visible and present in the public's everyday life, than is the federal government; corruption affecting these governments is therefore likely to be more widely perceived and more damaging than federal government corruption. In addition, as large as the federal budget and federal expenditures are, state and local budgets and expenditures are much larger. The dollar losses and increased taxpayer costs involved in local and state procurement-related corruption may thus be much higher.

Many state and local law enforcement agencies address public corruption effectively themselves or work in conjunction with federal investigators and prosecutors in doing so. However, other local and state agencies lack adequate resources to address corruption problems. Also, in some instances, local officials participating in corrupt activity may effectively foreclose local law enforcement efforts. The need for and degree of federal involvement thus will vary from locality to locality.

The information we have gathered indicates that federal investigators and prosecutors are keenly aware of local and state corruption problems and are widely involved in addressing them. Given the clear magnitude and the impact of local and state corruption, we think it has to be included in some form in a list of national white collar crime priorities.

As indicated, local and state corruption takes many forms and involves many different types of officials. These differences in types of crime and offenders may be very significant when it comes to defining district priorities or designing enforcement strategies for local and state corruption. However, for purposes of defining national priorities, it seems sufficient and desirable to define state and local corruption as a law enforcement priority when major state or local officials are involved or when there is systemic corruption of other state or local employees.

4. Bribery of Foreign Government Officials

The investigation and prosecution of bribery of foreign government officials by United States-based businesses has been a priority of the Department's Criminal Division since 1972 when the Task Force on Overseas Payments of Transnational Corporations was established in the Fraud Section. The Foreign Corrupt Practices Act of 1977 (FCPA) prohibits, among other things, the use of interstate facilities in furtherance of a bribe or offer of a bribe to foreign government officials by

U.S.-based businesses (*see* 15 U.S.C. 78dd-1, 78dd-2). The FCPA was enacted by the Congress without a dissenting vote and became effective on December 19, 1977.

The Criminal Division established a Multinational Fraud Branch within the Fraud Section in 1977 to direct FCPA investigation and prosecution efforts. The Branch works very closely with the Securities and Exchange Commission, the Customs Service, the FBI, and the Postal Inspection Service in the development of these very significant cases. Recently the Department announced the FCPA Review Procedure which allows businessmen and attorneys to seek guidance about the meaning and application of the antibribery provisions. Due to the centralized nature of federal law enforcement efforts against bribery of foreign government officials and the special treatment and attention currently being given to this area by the Criminal Division as well as the SEC, the Customs Service, the FBI, and the Postal Inspection Service, it is unnecessary and inappropriate to designate bribery of foreign government officials as an area for nationwide law enforcement attention. This area, however, will continue to receive special emphasis by the Department's Criminal Division.

Conclusion

In this category of white collar crime, the following national priorities are adopted:

1. Corruption of federal employees and officials in connection with federal procurement of goods and services.
2. Corruption of federal employees and officials in connection with federal programs, including but not limited to programs conferring grants, loans, guarantees, subsidies, cash or other benefits.
3. Corruption involving federal law enforcement officials, including but not limited to employees of the Department of Justice and other law enforcement agencies.
4. Corruption of any other federal employees and officials, including but not limited to elected officials, members of the judiciary, regulatory agency officials, and others.
5. Corruption involving major state government officials, elected, appointed or civil service, including but not limited to governors, legislators, department or agency heads, court officials, law enforcement officials at policymaking or managerial levels, and their staffs, or corruption of other state employees, including regulatory commission or board members, where such corruption is systemic.
6. Corruption involving major local government officials, elected, appointed or civil service, including but not limited to mayors, city council members or equivalents, city managers or equivalents, department or agency heads, court officials, law enforcement officials at policymaking or managerial level, and their staffs, or corruption of other local employees, including regulatory commission or board members, where such corruption is systemic.

B. Criminal Activity Defrauding the Government, Reducing the Effectiveness of Government Programs and Resulting in Higher Government and Taxpayer Costs

This category of white collar crime includes the following types of illegal activity:

1. Criminal tax violations
2. Procurement-related fraud

3. Program-related fraud
4. Counterfeiting of U.S. currency or securities
5. Customs violations

Procurement-related and program-related fraud involving corrupt government officials was discussed in part in the previous category of white collar crime threatening the integrity of government institutions and processes. The focus of that discussion was on the institutional effects of corruption. By contrast, the focus of this discussion is on the monetary impact of fraud and abuse on government and taxpayer costs.

1. Criminal tax violations

This type of illegal activity includes kickbacks to tax collectors in exchange for non-payment of merchant or manufacturing taxes, bribes to underestimate taxes due, the filing of false tax returns, and other forms of tax evasion. It also includes cigarette smuggling to avoid taxes, which was reported separately by a number of respondents.

Tax fraud was identified as a priority area by ATF offices in Chicago, Cleveland, Boston, Philadelphia, and St. Louis, Customs Service offices in several cities, Secret Service offices in Boston, St. Louis, Philadelphia and Honolulu, and Economic Crime Units in Alexandria, San Diego, Miami, and Los Angeles, as well as a few FBI offices. The Internal Revenue Service and the Department have recognized that tax fraud, in its various forms, is a white collar crime problem of significant proportions. Various estimates of its costs to government and legitimate taxpayers have been given. By any estimate, the amounts of money involved are significant.

The perpetrators of tax fraud run the gamut from business enterprises, investment brokers, and financial institutions to private entrepreneurs and individual citizens. Cigarette smuggling is a particular type of tax fraud involving the movement of cigarettes from low tax, typically tobacco growing, states to higher tax states. Federal jurisdiction arises due to the interstate trafficking of contraband. This type of illegal activity was reported by a number of ATF offices, mainly on the East Coast, but also in Texas and Arizona. Cigarette smuggling involves, at the very least, millions of dollars each year, and is very often connected with organized crime elements.

The immediate victim of all forms of tax fraud is the tax-levying governmental entity. The ultimate victims are honest taxpayers, who end up paying more than their fair share of the tax burden, and potential beneficiaries of government services who receive fewer services than they would otherwise. Tax fraud also causes an erosion of public faith in the fairness of the tax system and thus encourages more widespread tax evasion.

The Department's Tax Division reports that progress is being made in working with the Internal Revenue Service on the types of cases that are presented for prosecution. It is our conclusion that including criminal tax violations as a national white collar crime priority would have further salutary effects on the types of cases investigated and prosecuted by the federal government. It would, by itself, indicate to the public the resolve of the federal law enforcement community to deal with this serious type of crime and thereby discourage perhaps a large number of potential offenders. Interstate trafficking of contraband cigarettes involving large tax revenue losses will also be considered a national priority.

2. Procurement-related fraud

The information provided regarding federal procurement fraud encompassed both procurement-related fraud involving the corruption of government officials, and procurement-related fraud by outsiders, acting without the help or collusion of government insiders. This distinction, however, is of some importance in the way we think about the significance of procurement-related fraud and, consequently, how we define priorities. The presence of corrupt activity makes such fraud significant, and arguably a priority, regardless of the amounts of dollars involved. Without such corruption, procurement-related fraud becomes significant only when large sums are involved.

Procurement fraud involves, among other things, the following kinds of activity: 1) inflated payrolls and other costs; 2) substitution of inferior goods; 3) collusion among contractors, developers and suppliers resulting in rigged-bidding or overbilling; 4) non-performance of contracted services; 5) exaggerated weights and measures; and 6) diversion of federal funds to personal use. Practically every government agency and department procures goods and services and all seem to be victims of procurement-related fraud. Of course, the ultimate victims of this type of crime are taxpayers who pay more for fewer goods and services, along with the intended recipients of government benefits who receive reduced or substandard benefits and honest contractors who lose business because they do not engage in fraudulent activity.

The amounts of dollars lost due to this type of crime are substantial. The Department of Defense alone spent over $25 billion in FY 1979 on procurement and will spend $28 to $30 billion annually over the next two fiscal years.[13] These sums are for procurement narrowly defined, i.e., not including all contracts for research and development, housing and other constructions and other multi-billion dollar items. Total federal government procurement costs easily exceed $100 billion. No precise estimate of the magnitude of procurement fraud losses is possible, but it is obvious that even if such fraud involves only a small percentage of total procurement costs, the losses are great. And most observers appear to agree that more than a small percentage of total procurement expenditures are involved.

The responses to the Department's Information Request identified procurement-related fraud as a priority white collar crime area in all parts of the country. Construction and service contract fraud was designated as a problem area by numerous FBI offices, Inspectors General offices in GSA, Department of Energy, HUD, and EPA and by the Economic Crime Units in San Diego and Denver. Procurement fraud against the Department of Defense was cited as a priority area by the Defense Department's Investigation Office, by the Navy, Air Force, Economic Crime Units in Alexandria, Philadelphia and Los Angeles, and by a number of FBI field offices. NASA identified procurement fraud relating to its activities as the number one white collar crime problem. All of the Postal Inspection Service's regional offices listed procurement fraud against the Postal Service as a priority area.

The perpetrators of procurement fraud include general contractors, subcontractors, architectural and engineering firms, materials suppliers, consultants and other suppliers of goods and services. Procurement fraud is usually independent of other criminal activity, although there is some indication that organized crime elements are involved in procurement fraud by certain industries, including waste disposal and food services.

Given its immensity, and the lack of local and state jurisdiction and/or resources to deal with it, federal procurement fraud obviously should be considered a national law enforcement priority. Where corruption is not involved, however, there should be substantial amounts of losses involved before these kinds of cases are priorities.

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[13] *The Budget of the United States Government, 1981,* Office of Management and Budget, p. 100.

3. Program-related fraud

This type of white collar crime includes all the various schemes that are used in order to divert federal grants, loans, subsidies, and other benefits from their intended uses to the personal use of the perpetrators. The schemes used are myriad. They involve, among others, the following kinds of illegal acts: 1) false applications for grants, loans, and other benefits; 2) embezzlement and improper diversion of funds by program administrators who may be employed by the government, non-profit corporations or private contractors; 3) false reports on work done, costs incurred or other aspects of government supported activity; 4) use of federally-paid employees for political or other personal purposes; and 5) outright theft or counterfeiting of government property.

The perpetrators include individual entrepreneurs, business enterprises, and government officials at all levels. In some instances, organized crime elements are involved in program fraud and abuse. In a number of cases, the same perpetrators are or have been involved in fraud involving more than one agency or one program.

The vulnerability of various programs to fraud appears to be affected by a number of variables including: 1) the type of benefit being conferred (e.g., cash, guarantees, subsidies, loans, or services); 2) the organizational structure and procedures used in administering the program (e.g., centralized or decentralized, organization auditing and reporting procedures, involvement of private contractors and administrators); and 3) the resources and expertise available to investigate and oversee the use of program funds. We have not attempted to perform a comprehensive vulnerability assessment of federal programs. Numerous Inspector General offices are conducting, or have conducted, such studies.

Our review of the large quantity of information on the occurrence of program fraud indicates several things. First, there seems to be no government program unaffected. Second, while there are some differences in impact, the ultimate burden of program fraud and abuse falls on: 1) the honest and legitimate benefit recipients who receive reduced or no benefits; 2) the taxpayer whose money does not serve its intended purpose and who may be called upon to provide more funds; and 3) the agencies and programs whose images are tarnished and whose effectiveness may be reduced.

Our basic conclusion is that, for purposes of defining national white collar crime law enforcement priorities, it is best to have an all-inclusive program fraud priority, with appropriate dollar amount minimums where corruption is not involved.[14] District priorities, which are to be "within the national priorities,"[15] may appropriately focus on particular programs or agencies that are problems in a particular geographic region. We find no useful or obvious way to single out certain programs or agencies for national attention, and also feel that doing so may be too restrictive on investigators and prosecutors in the field, and counter-productive in inhibiting program fraud and abuse. Nevertheless, we summarize below the information gathered on each of the major federal program areas.

a. CETA funds

This is one of the most widespread and frequently reported program fraud problem areas. It involves misuse and embezzlement of CETA funds, padded payrolls, dummy corporations, CETA employees used for personal political campaigns, and funds used for city debts and non-CETA programs. Corruption of local government officials is often involved. Seventeen FBI offices, three ATF offices, five Secret Service offices, the Department of Labor Inspector General, and four Economic Crime Units (New Haven, Boston, Chicago, and New Orleans) identified CETA fraud as a priority area in their responses to the Department's Information Request. Twenty-three (38%) of the FBI field offices designated CETA fraud as a significant problem area in the February 1980 survey.

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[14] This does not mean, however, that separate offense codes for each major agency or program area for reporting purposes are not appropriate. In fact, in order to implement and evaluate district priorities, separate offense codes are probably a necessity.

[15] *See* A.G. Order No. 817-79, para. 6a.

This program disbursed over $11 billion in FY 1979 and is budgeted for similar amounts in FY 1980 and FY 1981.[16]

b. Department of Transportation grants and loans

Fraud and abuse involving DOT funds was identified as the number one priority area by the DOT Inspector General office and was mentioned as a problem area by several investigative agency field offices. This type of fraud involves improper material, bidrigging, kickbacks, gratuities, and systematic short-weighting of materials in connection with federally-funded mass transit and highway projects. The perpetrators include engineering and road-building firms, concrete and asphalt suppliers, and state, county and city officials.

The funds devoted to highway and mass transit projects exceeded $9 billion in FY 1979 and are projected to be close to $10 billion for FY 1980 and FY 1981.

c. SBA loans and financial assistance programs

This area of fraud and abuse includes false statements and other forms of fraud in connection with SBA loans and financial assistance programs, including bribes and kickbacks to SBA officials. Misrepresentation of an applicant's unencumbered private capital is frequent. Misuse of funds received under the Small Business Investment Company (SBIC) Program appears to occur with some frequency. In many cases, once SBA funds are obtained, they are diverted to other purposes.

SBA-related fraud was identified as a priority area by several FBI field offices and Economic Crime Units in Detroit, Columbia, Philadelphia and Los Angeles, in addition to the SBA's Inspector General office. SBA loans of up to $500,000 can be made. Funds provided to SBIC's usually involve millions of dollars. The SBA loan program granted new loans totalling $471 million in FY 1979, and is budgeted to increase to over $600 million in FY 1981.

d. Minority Contracts

Minority contract fraud involves firms falsely representing that they are qualified for preferences under Section 8(a) of the amended SBA Act. Perpetrators arrange to have an apparently eligible person "front" as the head of a firm in order to receive preferential treatment, when the person in fact does nothing for or with the firm, other than signing the papers to apply for the SBA sponsored contract.

This type of fraud was identified as a priority area by the NASA Inspector General office and by several FBI field offices. The primary victims are legitimate minority or disadvantaged enterprises that qualify for preferential treatment.

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[16] Unless otherwise indicated, the budget figures cited in this section of this report are taken from *The Budget of the United States Government, 1981,* Office of Management and Budget.

In FY 1978, 3,403 contracts valued at $767.5 million were awarded under Section 8(a) authority. Also affected by this type of fraud are Minority Business Enterprise contracts awarded under the supervision of the Commerce Department. As of September 1979, over $700 million in MBE contracts had been awarded since the inception of the program in 1977.

e. Social Security programs

Social Security fraud primarily involves beneficiaries misrepresenting their circumstances in order to receive benefits initially or, once legitimately entitled to benefits, failing to report changes in circumstances that would reduce or eliminate benefits. This kind of illegal activity is reported as a priority area by the HEW Inspector General's office, the Economic Crime Unit in Los Angeles, and several Secret Service field offices in various parts of the country.

The perpetrators appear to be individuals, acting independently, with little evidence of organized criminal activity. Social security assistance payments were approximately $6.6 billion in FY 1979, and are estimated to be $7.0 billion and $7.7 billion, respectively, in FY 1980 and FY 1981.

f. Welfare/Rehabilitation programs

This type of illegal activity involves: 1) welfare (AFDC) recipients filing fraudulent applications, receiving multiple benefits, or failing to report working while receiving welfare; 2) fraud and abuse of the child nutrition/school lunch program; and 3) unemployment compensation fraud. Welfare or income maintenance fraud was identified as a priority area by FBI field offices in a number of areas of the country, by several Secret Service offices and by the HEW Inspector General office. Child Nutrition Program fraud was reported as a priority area by the FBI office in New York City, by the Department of Agriculture Inspector General office and by the Economic Crime Unit in Brooklyn.

The perpetrators include individual recipients of welfare and assistance and local religious, charitable and community organizations in the Child Nutrition Program. The federal budget outlays for AFDC programs in FY 1979 were approximately $6.7 billion. The unemployment compensation program, administered by the Department of Labor, disbursed $11.1 billion in FY 1979 and is projected to spend $15.1 billion in FY 1980 and $17.9 billion in FY 1981. The Child Nutrition Program disbursed $2.9 billion in FY 1979 and is budgeted to increase to $3.0 billion and $3.5 billion, respectively, in the next two fiscal years.

g. Medicare/Medicaid and CHAMPUS (Civilian Health and Medical Program of Uniformed Services) programs

Medicare/Medicaid and CHAMPUS program fraud and abuse involve fraudulent applications for aid, duplicate billing, kickbacks from labs to doctors for fake billings and inflated costs, unnecessary drug prescriptions by doctors and dentists, and similar schemes. The perpetrators include program recipients, doctors, dentists, clinics, labs, pharmacists, nursing homes, hospitals, and others.

This kind of fraud and abuse was among the most frequently reported federal program frauds. Medicare and Medicaid fraud was identified as a priority area by a large number of FBI offices in many parts of the country, by several Secret Service offices, and by Economic Crime Units in Detroit, Chicago, Alexandria, Philadelphia, Miami, and Newark, as well as the HEW Inspector General office. CHAMPUS fraud was reported as a priority area by five FBI field offices and the Economic Crime Unit in Denver.

The federal dollars devoted to these programs are enormous. The Medicare and Medicaid programs required approximately $41.6 billion of federal funds in FY 1979, and are estimated to require $47.7 billion in FY 1980 and $53.2 billion in FY 1981.

h. Housing programs

Housing program fraud and abuse involves a number of different programs including Housing Rehabilitation loans, Community Development Block Grants and Urban Renewal programs, FHA and VA mortgage guarantees, Multifamily Housing subsidies and other similar programs. The illegal activities include submitting false information to government agencies in order to receive loans or subsidies, the misuse, embezzlement or other unlawful diversion of program funds, the creation of paper corporations to inflate HUD funded housing costs, and various forms of corruption of government employees in approving fraudulent grants, loans, property valuations, and other written documents.

Housing program fraud and abuse was one of the most-frequently reported program fraud problems. FBI field offices in all parts of the country, particularly urban centers, reported housing program fraud as a priority area, along with all of the HUD Inspector General Regional Offices, the Department of Agriculture's Inspector General Office, and the Economic Crime Units in Newark, Los Angeles, Washington, and Columbia, S.C. FHA mortgage irregularities were reported by a few FBI offices and HUD regional offices, along with the Economic Crime Units in Denver and Los Angeles. Misuse of Community Development funds was identified as a problem by most HUD regional offices and a number of FBI offices. Equity skimming in multifamily, subsidized housing projects was another frequently reported problem.

Large amounts of federal funds are devoted to housing programs of various types. Housing assistance programs administered by HUD involved budgeting outlays of around $5 billion for FY 1979, and outlays are anticipated to be $6 and $7 billion in the next two fiscal years, respectively. Community Planning and Development grants totaled $3.7 billion in FY 1979 and will grow to around $4.2 and $4.6 billion in the following two years. Veterans' mortgage loan guarantee and direct loan programs involved loans totaling approximately $16.1 billion in FY 1979; this figure is expected to grow to $19.9 billion in FY 1981. The Veterans Administration and HUD are working on a joint investigative program regarding VA/FHA loan fraud. The HUD Inspector General office has launched other initiatives directed toward housing program fraud, but both VA and HUD agree that more investigative and prosecutive resources are necessary.

i. Veterans benefits, other than housing

This category of illegal activity includes fraud and abuse affecting veterans' benefit programs, other than housing loan guarantees. It primarily involves fraudulent claims and applications for educational assistance and medical benefits. The fraud is usually perpetrated by individuals improperly seeking benefits, but it also involves colleges and trade schools or medical suppliers and health care providers fraudulently demanding payments from the Veterans Administration. VA employees are sometimes involved in the illegal schemes.

This type of fraud and abuse is reported by the VA Inspector General office, but it is also identified as a priority area by a number of FBI offices. Once again, the amounts of dollars associated with these programs are substantial. Outlays for various types of veterans' medical benefits totaled over $5.3 billion in FY 1979. The Inspector General office at VA is attempting to implement a number of new techniques to detect fraud in these areas.

j. Food stamps

Fraud and abuse involving the food stamp program, administered by the Department of Agriculture, involves the theft, embezzlement and counterfeiting of food stamps, in addition to false applications for the receipt of food stamps. The perpetrators include retail and wholesale food firms licensed by USDA, check cashing and other food stamp outlets, printers and platemakers (counterfeiting), individual citizens, and federal, state, county and city officials involved in administering the program. The food stamp program involves more than 18 million recipients, 300,000 commercial entities and over 20,000 state and local administrators. The opportunities for fraud are bountiful.

The Inspector General office at the Department of Agriculture reported increasing evidence that established food stamp traffickers are engaged in other criminal activities such as narcotics, gambling, stolen property and tax evasion. Food stamp problems were reported by several Secret Service and FBI offices, and by the Economic Crime Unit in Newark.

The federal funds spent on the food stamp program amounted to $6.8 billion in FY 1979, and are projected to be $8.7 and $9.7 billion, respectively, in FY 1980 and FY 1981. In an effort to reduce food stamp fraud and abuse, legislation has been introduced to establish a system under which administrative funds could be withheld from a state with excessive errors in the certification of recipients. The idea is to create sufficient incentives for states to improve their administration of this program. Also proposed is a requirement that food stamp clients report their income more frequently to food stamp administrators. The USDA and HEW Inspector General offices are cooperating in computer match systems designed to identify individuals whose income makes them ineligible for benefits. This program has met with some success.

k. Student loans and educational grants

Illegal activity affecting student loans and educational grants includes false applications and defaults with respect to loans, "ghost students", fake reporting and manipulation of funds by universities, trade schools and other educational institutions, and fraud involving research grants to various individuals and institutions. These types of fraud were identified as priority areas by FBI field offices in many parts of the country, by a few Secret Service offices and by the Economic Crime Units in Phoenix, Columbia and Newark. Misuse of funds granted under Title I of the Elementary and Secondary Education Act was reported as a priority area by the Economic Crime Unit in Brooklyn.

During FY 1979, more than $4.3 billion of federal funds were committed to grants, loans, and ~~loan gu~~arantees for post-secondary education alone. For both FY 1980 and FY 1981, the amount will easily exceed $5 billion annually. Federal grants and loans for vocational and adult education and for various kinds of research exceeded $1 billion in FY 1979 and will grow over the next two years.

Some success has been experienced in investigating and prosecuting student loan and educational grant fraud and abuse in clusters. The amounts involved in individual cases usually make individual prosecution prohibitive.

l. Workers' compensation funds

Workers' compensation fraud was reported as a priority by the Department of Labor Inspector General. The funds involved include workers' compensation for federal employees or their survivors for job-related injuries, illnesses or death and also special compensation funds for coal miners (Black

Lung) and others. The schemes involve concealing re-employment, claiming compensation when injury occurred during off-duty activity, and faked injuries generally.

Approximately 47,500 workers with long-term disabilities or their survivors are expected to receive monthly payments during FY 1980 totaling around $1 billion for the year. The Administration intends to propose legislation amending the Federal Employees Compensation Act to remove 1) incentives to file questionable claims, 2) disincentives for workers to return to work when they are medically able, and 3) inequities that now may provide greater compensation than a recipient would have received as a full-time employee.

m. Environmental programs

Fraud in environmental programs includes fraud by contractors, suppliers, purchasing agents, engineering firms and state, county and municipal sewer and water officials in connection with Wastewater Treatment Grants administered by EPA. The EPA Inspector General office reports this illegal activity as its number one priority. The Economic Crime Unit in Columbia also identifies this type of fraud as a priority area, as do FBI offices in Boston, New York City, and Buffalo.

In FY 1979, the EPA spent approximately $3.8 billion in funding construction grants. There are currently around 13,000 EPA construction grant projects in progress throughout the country involving approximately $28 billion altogether. As with some other types of federal program fraud and abuse, state and local law enforcement efforts are minimal or nonexistent.

n. Other federal programs for special groups or special purposes

This last category includes a variety of federal programs reported as white collar crime priority areas by respondents. Farmers Home Administration (FmHA) loan abuse was reported by the Economic Crime Unit in Columbia and one FBI office. Emergency disaster loan fraud was reported by the Department of Agriculture Inspector General office and one FBI office. Fraud involving CSA funds, including the Weatherization program which is now at the Department of Energy, was identified as a priority area by the Department of the Energy Inspector General and by one FBI office. Three FBI offices identified fraud involving Department of Commerce funds as a priority. The Department of Commerce Inspector General office reported misuse of Economic Development Assistance loans as its number one priority area.

The approximate amounts of funds devoted to each of these programs during FY 1979 are as follows:

Program	FY 1979 Outlays (millions)
Farmers Home Administration Grants and Loans	$1,899
Emergency Disaster Loans	957 (SBA) 23 (Agriculture)
CSA Grants and Loans	594
Weatherization Assistance	200 (Energy) (Budget authority)
Department of Commerce	
Economic Development Assistance programs	435
Minority Business Development	54

4. Counterfeiting of United States currency or securities

This type of illegal activity includes the counterfeiting and forgery of currency, U.S. financial obligations, and other negotiable paper. It was reported as a priority area primarily by U.S. Secret Service offices, with a few FBI offices and SEC regional offices identifying it as a priority. As might be expected, the larger urban areas, including New York, Chicago, and Los Angeles, reported the highest incidence of this type of white collar crime.

The direct victims of counterfeiting and forgery are the purchasers and traders who are deceived, and also businesses and banks that provide credit or loans based on illegitimate securities. The amount of losses involved in counterfeiting and forgery of government and other securities is very difficult to estimate. Some observers have estimated that billions of dollars of counterfeit and stolen securities are in circulation at any given point in time, but such estimates are difficult to confirm or deny. There is some secondary impact of this illegal activity on consumers who absorb, through higher prices, the increased costs to businesses victimized by counterfeit money, forged checks and the like.

One important characteristic of counterfeiting, pointed out by numerous respondents, is that money obtained through this kind of crime is often used to finance other criminal activities. Organized crime seems to be heavily engaged in counterfeiting and related criminal activities, including theft of securities, cash laundering, and drug transactions.

The responses indicated that expertise and commitment in this area are lacking in state and local systems. They also indicated that increased emphasis would bring about substantial decreases in the incidence of this type of crime.

Our conclusion is that counterfeiting which threatens the integrity of the U.S. currency and government financial obligations warrants being a separate priority. It becomes particularly significant when there is a clear indication of organized crime involvement or very large amounts of securities or currency are involved.

5. Customs violations

The types of customs violations identified as priority areas include: 1) smuggling and importation of merchandise by means of false statements or in violation of quotas or other restrictions; 2) exportation of merchandise in violation of law, particularly firearms; and 3) unreported importation or exportation of currency in excess of $5,000. Customs violations were reported as priority areas in all parts of the country. Violations of all types were reported by most Customs Service offices, a few ATF offices and the Economic Crime Unit in San Diego. Currency violations were reported by almost all Customs Service offices, and by the Economic Crime Units in Miami and Los Angeles. Neutrality Act (Munitions Control) violations were identified as priority areas by a large number of Customs offices and the Los Angeles Economic Crime Unit, as were violations involving the undervaluation or false marking of imported goods.

These respondents indicated that the perpetrators of these crimes are primarily individuals and various business entities. Organized crime, narcotics dealings, terrorism, and the bribery of public officials were reported to be connected with various aspects of these crimes.

The victims of customs violations include the following: 1) the U.S. Treasury, in lost revenue from duty and taxes; 2) domestic industries harmed by improperly imported or fraudulently labeled goods; and 3) citizens of foreign countries and U.S. foreign policy when firearms and explosives are exported to various terrorist groups. Total dollar losses cannot be estimated with any precision, but appear to be very substantial. Except for some local and state efforts in the narcotics area, local law enforcement effort is minimal or nonexistent.

Respondents indicate that greater federal law enforcement would have a definite positive effect on deterring these crimes, particularly if large judgments can be obtained and then publicized throughout the importing trade. However, it was also pointed out that the length of time involved in Customs investigations often creates problems. In the past, multimillion dollar fraud cases have been referred to U.S. Attorneys shortly before the statute of limitations expires, providing the U.S. Attorneys involved little or no opportunity to evaluate the case before filing complaints. Respondents also indicated that computer techniques and surveillance could be used more effectively in detecting customs violations.

Our conclusion, based on this information, is that customs violations involving large amounts of tax losses or connections with other criminal activity should be considered a national white collar crime priority.

Conclusion

In this category of white collar crime, the following national priorities are adopted:

1. Fraud related to federal procurement, not involving corruption of government personnel, if losses are $25,000 or more.

2. Fraud related to federal programs, not involving corruption of government personnel, if losses are $25,000 or more.

3. Major criminal tax violations, involving large tax revenue losses or having a significant adverse impact on the federal tax system, as determined by the Tax Division in collaboration with the Internal Revenue Service.

4. Counterfeiting of United States currency or securities.

5. Customs violations, including duty violations involving $25,000 or more in tax revenue losses in one transaction or $50,000 or more in tax revenue losses in multiple transactions, and currency violations involving $25,000 or more in currency in one transaction or $50,000 or more in currency in multiple transactions.

6. Trafficking in contraband cigarettes, involving $100,000 or more in aggregate tax revenue losses.

C. Criminal Activity Victimizing Business Enterprises

This category of white collar crime includes illegal activity having a major impact upon business enterprises and major private institutions. The specific types of crime in this category are the following:

1. Bank fraud and embezzlement
2. Insurance fraud, including arson for profit
3. Copyright violations
4. Private institution victimization generally, including looting of corporate assets, computer fraud, and other fraudulent schemes
5. Advance fee schemes

6. Bankruptcy frauds/bust-outs
7. Extortion of legitimate business by use of control over labor unions
8. Crimes involving cargo and customs houses
9. Use of fictitious or overvalued collateral to obtain credit
10. Offshore bank fraud

Each of these illegal activities is discussed briefly below.

1. Bank fraud and embezzlement

This area has been, and continues to be, a primary focus of federal investigative and prosecutive talent. For Fiscal Year 1979, the FBI devoted approximately 20% of its white collar crime resources to bank fraud and embezzlement. The Bureau designates bank fraud and embezzlement (BF&E) cases involving over $10,000 as priorities (see Appendix A). It is therefore not surprising that bank fraud and embezzlement was the most frequently identified problem area within financial crimes and the second most frequently identified white collar crime problem overall in the Bureau's February 1980 survey (see Appendix C).

Economic Crime Units in New Orleans, Detroit, Alexandria, New Haven, Miami and Los Angeles identified BF&E as a priority area. The Economic Crime Unit in Portland identified improper acts by bank officials as a problem area.

This type of crime involves simple theft, manipulation of records, falsifying loan applications, and more sophisticated theft by means of bank computers, account manipulation and other fraudulent schemes. The perpetrators are usually tellers or bank officers, but outsiders are sometimes involved, especially where there is collusion or kickbacks to obtain loans fraudulently.

The aggregate amount of money involved in BF&E is enormous. Individual crimes are of all sizes. Banks and their depositors are the immediate victims of fraud and embezzlement. In a few cases, large BF&E's have driven banks or other financial institutions into bankruptcy. Ultimate victims of BF&E are consumers of bank services who end up paying higher costs and bank stockholders who have reduced dividends and capital appreciation.

Most types of BF&E are susceptible to self-protection by the victim banks and financial institutions. This means closer auditing procedures, better detection through use of computers, undercover operations, closer screening of loan applicants, and more careful selection of bank officers and employees. Costs of self-protection can be passed on to stockholders, depositors and other customers, who are the ultimate victims of BF&E and thus the beneficiaries of its prevention.

Whether current bank self-protection efforts are sufficient is a matter of some controversy. In any event, it seems clear to us that the dollar amounts involved in BF&E's should be very high before they are considered federal law enforcement priorities.

2. Insurance fraud, including arson for profit

Insurance fraud, including arson for profit, was among the most frequently identified priority areas across the country. A large number of ATF offices reported arson for profit as a major problem, but it was also listed as a priority area by Economic Crime Units in Cleveland, Detroit, New Haven and Philadelphia, and by a number of FBI and Secret Service field offices. Insurance fraud generally was identified as a problem area by all of the Postal Inspection Service regional offices, a number of FBI and Secret Service offices and Economic Crime Units in New Haven, Portland, Boston, Philadelphia, Denver, Columbia, Brooklyn and Los Angeles.

Arson for profit involves the intentional destruction of property by fire or explosive device with the intent of submitting a claim to an insurance company or for the purpose of destroying a competitor's business. Other insurance fraud includes fake accident schemes, false reports of stolen vehicles, reinsurance fraud, and misrepresentation of insured items, sometimes involving kickbacks to adjusters.

The perpetrators of arson for profit are usually commercial-merchant type entities or landlords; other types of insurance fraud involve some professionals, including lawyers and doctors, but usually individual offenders. There is some evidence of organized crime involvement in arson for profit and some other insurance fraud schemes.

The amounts of money involved appear to be large. The Senate Permanent Subcommittee on Investigations recently estimated that arson for profit cost insurers at least $1.6 billion a year. This figure does not reflect losses of jobs and income, medical costs, increased expenses for firemen or all increases in insurance premiums. The American Insurance Association estimates that 30 percent of all fires in the U.S. result from arson, injuring over 10,000 people and killing 1,000 others per year.

The victims of arson for profit and other insurance fraud schemes include insurance premium payers, innocent people who are injured or who lose their housing or jobs, and the insurance industry as an institution. Local and state law enforcement agencies are beginning to devote more resources to this area. LEAA recently announced grants to a number of localities to aid in investigating arson cases. Most respondents indicated that state and local efforts in this area are either minimal or significant but insufficient.

Investigation of these crimes is difficult and dangerous. Undercover, surveillance and informant techniques have been used with some success. There is no federal criminal arson statute as such. Federal jurisdiction arises from the use of an "explosive", an incendiary device, or a "destructive device," or through evidence of fraudulent acts.

The widespread nature of this type of white collar crime, its significant costs, the physical danger and harm often associated with it, and the lack of adequate state and local efforts all argue that this should be listed as a national priority, with appropriate descriptive qualifications.

3. Copyright violations

This type of white collar crime includes the theft and/or duplication of sound recordings (records, eight-track tapes and cassettes) and movies, including those shown on television, without permission of the copyright owner. The crime occurs all over the United States with some concentration in Southern California, New York, Atlanta and Miami. FBI offices in all parts of the country reported copyright violation activity, as did Customs Service offices in Anchorage and Miami and the Economic Crime Unit in Los Angeles.

In the February 1980 survey, twenty-eight (46%) of all FBI field offices reported copyright violations as a problem area. The FBI includes in its current list of priorities copyright violations involving manufacturers or distributors of sound recordings or motion pictures.

The perpetrators of this type of crime include insiders who take bribes for the release or copying of new recordings, distributors, retailers, and business establishments, including hotels and resorts, who buy or use counterfeit or pirated movies and tapes. The perpetrators are sometimes individuals acting alone, but more often organized rings. There is evidence that organized crime is becoming increasingly involved as a major supplier of counterfeit products.

The victims of copyright violations are numerous. The record and movie industries are the immediate victims, due to lost sales and profits. The recording industry estimates that annual losses amount to more than $600 million. The motion picture industry has no estimate of total losses, only a rough estimate that losses are in the hundreds of millions of dollars.

Secondary and tertiary victims are recording artists and actors who lose royalties they would otherwise receive, companies who do business with the recording and motion picture industry, consumers who may receive poor quality recordings or video products, and the general public, to the extent that copyright losses force companies to limit the range of artistic products they produce. It does appear that copyright offenders go after the most popular recordings, skim the profits from these money-makers, and thus make it more difficult for manufacturers to produce the marginal products, which may include classical music, experimental works, and other products which add to the diversity of art products available to the public.

An interesting question with no clear answer is the effect of counterfeiting and piracy on the price the consumer pays for copyrighted products. Counterfeited products add to the supply of goods available and are usually priced below the going price of legitimate goods, at least at the wholesale level. This would seem to create some downward pressure on prices. On the other hand, lost profits on the big sellers may force legitimate manufacturers to raise the average unit price they charge in order to maintain an adequate overall return. This higher price may simply act as a ceiling that counterfeiters take advantage of to reap higher profits for themselves with no competitive pricing, and thus higher consumer costs.

Civil remedies are available to the industry, but industry representatives indicate very limited success in civil recovery. If the crime is proven, the offenders usually have few assets available to pay damages. The industry claims it is spending large amounts of money to increase security and self-protection, but no precise amounts are known. Both the sound and the motion picture industries are experimenting with ways to mark products so that counterfeit items can be identified more easily, but with no success so far.

Two other aspects of copyright violations should be considered. The problem is international in scope; increased law enforcement efforts here may shift activity abroad and produce little net benefit. The motion picture industry points out that it produces over $700,000,000 annually in positive balance of payments and that adequate law enforcement is needed not only domestically, but internationally. Secondly, the video cassette market is relatively new. The extent to which counterfeiters will move into this market is unknown, but motion picture industry representatives fear that it will be a growth area for crime.

Federal law enforcement efforts in this area have produced some positive, sometimes spectacular results. Sting operations in recent years have uncovered large counterfeiting and piracy operations. FBI and industry representatives point to the large amount of economic loss prevented relative to the resources used in the copyright area (see Appendix A, Table 2). Sentences for convicted offenders have, however, been light.

Overall, copyright violations appear to be a type of white collar crime that deserves some federal law enforcement emphasis. However, the dollar amounts involved must be large and the illegal activity must be widespread before these kinds of cases are considered priorities.

4. Private institution victimization generally, including looting of corporate assets, computer fraud, and other fraudulent schemes

This type of illegal activity includes a variety of schemes, usually carried out by competing businesses or disloyal insiders, that hurt various private institutions financially. Insiders embezzle corporate funds or use them for personal gain; other businesses engage in commercial bribery and espionage to harm their adversaries in the marketplace; outsiders, sometimes with the aid of insiders, receive goods or credit on the basis of false information.

This type of crime, in its various forms, seems to occur all across the country with its victims being businesses of all sizes and descriptions. Beyond the victim businesses and their owners, consumers are often the ultimate victims of this type of crime. Business losses and increased costs due to more security, investigative costs, and litigation costs are usually passed on to the consumer in higher prices, at least in part. The total amount of losses to businesses and consumers from these types of crime cannot be estimated with any precision. The Department of Commerce estimates that businesses lose over $6 billion per year in "inventory shrinkages." The security industry, employed mostly by businesses for protection, now grosses more than $23.3 billion a year. Insurance premiums, covering goods in transit and in storage, are far in excess of a billion dollars a year.

Organized crime is often mentioned as a participant in crime against legitimate businesses, particularly in connection with credit schemes. Other related organized crime activity, discussed below, includes extortion and takeovers of legitimate businesses.

Private institution victimization is generally susceptible to self-help and prevention. However, to the extent that perpetrators are able to avoid civil recoveries and are able to cause large losses to legitimate business and the consumer, federal criminal law enforcement is needed. State and local efforts in this regard are effective in some places, but overall, responses to the Department's Information Request indicated minimal state and local activity. This area of white collar crime, when it involves large amounts of money, will be considered a national priority.

5. Advance fee schemes

This type of white collar crime deserves separate treatment due to the frequency with which it was identified as a priority area and the somewhat different nature of its victims. Advance fee schemes involve the perpetrators offering victims a service or opportunity or product, and then failing to provide the service or product at all or as promised, without returning the fee paid in advance by the victim. The schemes often involve loan commitments, where the perpetrator promises to secure funds for an individual or business enterprise if an appropriate advance fee is paid.

Advance fee schemes were identified as problem areas by FBI field offices across the country in both the FY 1979 survey and the February 1980 survey, where 23 (38%) of the offices listed this kind of illegal conduct as a significant problem. Postal Inspection Service regional offices in Chicago and Memphis list advance fee schemes as priority areas, along with Economic Crime Units in Portland, New Orleans, Cleveland, Detroit, Los Angeles, Philadelphia and Newark.

The victims of advance fee schemes are most often individuals or small businesses, losing between $2,500 and $10,000 per transaction. In some cases, the advance fee is a percentage of the value of the loan or service to be provided and may greatly exceed $10,000. The indirect victims of these schemes are the legitimate entrepreneurs who honestly provide services for an advance fee. To the extent that society places a value on business initiative by individual and small businesses, these schemes are harmful in stifling that initiative and in some cases causing small businesses to fail.

State and local enforcement activity is reported to be generally minimal and insufficient, with the exception of a few large urban areas, such as Los Angeles. While many cases are too small to justify commitment of federal investigative and prosecutive resources, investigators and prosecutors should be encouraged to go after advance fee schemes involving large amounts of total losses or large numbers of victims. A national priority directed to this end is appropriate.

6. Bankruptcy frauds/bust-outs

This type of white collar crime involves businesses falsifying and concealing assets in order to declare bankruptcy or individuals buying or operating businesses, borrowing up to credit limits, siphoning off assets and filing bankruptcy papers. In some cases, corruption of bankruptcy proceedings and officials, including judges, trustees, receivers, and attorneys, is involved.

Bankruptcy fraud, sometimes referred to as planned bankruptcy or a bust-out, was identified as a problem area by a large number of FBI field offices in all parts of the country and by Economic Crime Units in Phoenix, Denver, Los Angeles, Cleveland, and Columbia. In the February 1980 survey, 21 (34%) of the FBI field offices identified planned bankruptcies as a significant problem.

The perpetrators of this crime are typically medium to small businesses and some individual entrepreneurs. Organized crime figures are frequently involved in this type of illegal activity. The schemes are in many instances multi-state and multi-company in nature. The direct victims are the creditors who are unable to recover the monies owed by the bankrupt enterprise. Recovery against the perpetrators is often difficult due to hidden or otherwise protected assets. Some planned bankruptcy schemes are quite large. A scheme recently uncovered on the East Coast involved the use of 10 separate companies in a number of states to defraud suppliers throughout the Northeast of over $5 million. The total direct losses from bankruptcy fraud cannot be determined with any precision, but they are clearly large.

The indirect victims of this type of crime are consumers who pay some of the costs of defrauded businesses. The integrity of the entire bankruptcy system is threatened by flagrant abuse and when corruption is involved.

State and local law enforcement efforts in this area are minimal. Federal law enforcement emphasis is appropriate where large losses are involved.

7. Extortion of legitimate business by use of control over labor unions

This type of illegal activity was reported as a priority by a few FBI offices and a few Customs Service offices. It involves control of unions, often by organized criminal elements, acquired by a pattern of unlawful activity in order to achieve influence over or control of non-union enterprises associated with the unions. The use of union power over employers facilitates the extortionate acquisition of interests in or funds from the businesses operated by employers.

The victims of this kind of conduct include union members and benefit plan participants, whose interests are not always served by such activity, the businesses who are controlled, and ultimately consumers who pay more for the businesses' products due to the tribute or profits extorted from the firms.

This type of crime does not seem to merit special designation as a priority, but rather will be added to the list of crimes that victimize private business enterprise and made a priority by inclusion in a broader category of crime.

8. Crimes involving cargo and customs houses

Crimes involving cargo and customs houses were designated as a priority area by a number of Customs Service offices. The illegal activities involved are several: 1) the theft of imported merchandise of all types from cargo areas at piers and airports in this country; 2) the movement in and out of the country of stolen property by organized theft rings and fences; and 3) fraudulent schemes perpetrated by customs house brokers.

The immediate victims of these activities include importers, wholesale and retail firms and others who own the stolen merchandise, and the steamship lines, airlines and trucking firms transporting the merchandise. However, many of these victims' losses are insured and the ultimate costs are borne by insurance policy holders who pay higher premiums and consumers who absorb those higher insurance premiums through higher prices.

There is no good estimate of the amount of money involved in this kind of crime. Existing evidence indicates that it should be considered as a priority, only to the extent it involves fraudulent activity of great magnitude.

9. Use of fictitious or overvalued collateral to get credit or business

While listed as a separate illegal activity by a number of FBI and Secret Service offices and a few Postal Inspection offices, this type of crime can be grouped with other crimes that victimize private institutions. Banks and other financial institutions are the most frequent victims. Losses are sometimes quite large. There is room for improvement in self-protection by potential victims. Nevertheless, some of these schemes appear to be connected with organized crime and may have a significant impact on legitimate individuals and institutions seeking credit or business. Adding this kind of crime to a broader list of similar crimes with some dollar amount qualifications is considered an appropriate way of dealing with the most significant occurrences of this kind of illegal activity.

10. Offshore bank fraud

This illegal activity involves setting up a phony offshore bank using fictitious assets and financial statements and then issuing bogus certificates of deposit, cashier checks and other instruments in order to defraud legitimate banks, companies and individuals. The losses per victim may be very large. In Miami, the average loss is estimated to be in the tens of thousands of dollars per victim.

These same offshore banks are sometimes involved in the laundering of cash received from narcotics violators and organized crime groups on the mainland. They are also used to illegally conceal profits and to avoid income or inheritance taxes. In these instances, the offshore banks are devices used by others for concealing their crimes, as opposed to the banks' own illegal activities.

Offshore bank fraud does not seem to merit a national priority designation at present. Offshore bank operations, however, deserve a great deal of attention for the roles they play in facilitating a broad range of illegal activities.

Conclusion

In this category of white collar crime, the following national priorities are adopted:

1. Bank fraud and embezzlement, or other improper acts by bank officials and employees, involving $100,000 or more in aggregate losses.

2. Advance fee schemes, involving $100,000 or more in aggregate losses or 10 or more victims.

3. Bankruptcy fraud, involving $100,000 or more in aggregate losses.

4. Other major crimes against business, including fraud involving $100,000 or more in aggregate losses; copyright violations involving manufacturers or distributors, distribution in three or more states or countries, and $500,000 or more in aggregate losses; and labor racketeering and extortion.

5. Insurance fraud, including arson for profit, involving $250,000 or more in aggregate losses or two or more incidents perpetrated by the same person or persons.

D. Criminal Activity Victimizing Consumers

This category of white collar crime includes the following illegal activities:

1. Consumer fraud
2. Antitrust violations
3. Energy pricing and related fraud
4. Misuse of charitable or non-profit institutions

This category is distinguished from the prior category in that the direct or ultimate victims of the types of white collar crime in this category are usually large numbers of individuals, citizens or small business enterprises, as consumers. While in some cases the victims have direct contact with the perpetrators of the crime, in most cases they do not. The losses from these crimes are usually distributed over a large, amorphous class of victims.

1. Consumer fraud

This type of illegal activity involves consumers being defrauded by being induced to pay for things that they do not receive or about whose qualities they are misinformed. It includes insurance fraud against policy holders, merchandise or supply swindles of various types, phony contests, false billing, home improvement fraud, misrepresentation of goods, fraud in auto sales and repair, and fraudulent sales of art objects, among other things. This type of white collar crime is reported by most Postal Inspection regional offices, a significant number of FBI field offices, a few Customs and ATF offices and Economic Crime Units in Miami, San Diego, Portland and Los Angeles.

The perpetrators of the crime include professional con men, businesses of various sizes and some advertising agencies. No connection with organized crime activity is apparent.

The direct victims are the consumers or purchasers who are defrauded. The amount of loss varies, but can be substantial relative to the victim's wealth. Restricting this crime to hard core fraud, as compared to mere puffing or marginal fraud, the total dollar losses to consumers are, by all estimates, very substantial. The indirect victims of this type of illegal activity are legitimate manufacturers and sellers of goods. The activity dampens innovation and competition by making it more difficult for producers of new consumer goods to market their goods, and to assure consumers that they will get what is claimed.

Self-protection is often possible and is the most effective remedy in many consumer fraud cases. However, some fraudulent schemes are very sophisticated and difficult to detect. Civil recovery is made difficult because perpetrators are very mobile and litigation costs are often high relative to the loss suffered by individual victims.

State and local law enforcement authorities seem to be heavily involved in attacking this kind of crime, with the NDAA stressing it in its communications with its members. On the federal level, the Postal Inspection Service spends a significant amount of its resources in this area.

Given the state and local activity devoted to consumer victimization, federal involvement seems appropriate in only the large, multi-state operations, particularly those involving professional con artists. It would also seem beneficial for Economic Crime Specialists and U.S. Attorney's offices to work more closely with state and local officials on programs to educate consumers and to increase prevention and detection of these schemes.

2. Antitrust violations

Criminal antitrust violations, including price-fixing and other anti-competitive behavior, were reported by a number of FBI field offices and by various Inspector General offices in connection with procurement. The economic losses caused by antitrust violations are often difficult to estimate, but it is not uncommon to have such violations affecting large sectors of major industries and large geographic areas.

The direct victims of such violations are businesses who suffer economic loss and may be driven out of business by anti-competitive behavior. The ultimate victims of such violations, however, are consumers, who pay more for goods and services than they would in the absence of such interference with normal, competitive market conditions. The losses, which may be spread over large numbers of consumers, are unquestionably enormous. State and local law enforcement agencies appear to be giving antitrust violations more attention, but their efforts and their capabilities are far from sufficient.

Given the large economic losses involved, the harmful effect on the operation of the competitive market, and the need for federal involvement, it is clear that criminal antitrust violations involving large economic losses must be treated as national white collar crime law enforcement priorities.

3. Energy pricing and related fraud

This type of illegal activity involves primarily oil pricing and allocation violations, though other types of energy fraud may be involved. Oil pricing and allocation violations, including "daisy-chain" sales of oil, were identified as problem areas by a number of FBI field offices in oil-producing areas and in New York, and by the Economic Crime Units in Brooklyn, Denver and Los Angeles.

The impact of these kinds of violations falls mainly on consumers who pay higher prices for petroleum products and related items due to fraudulent cost reporting. Businesses that comply with regulations may be hurt competitively or otherwise by businesses that violate those same regulations.

Federal law enforcement agencies, including the FBI, relevant sections of the Department of Energy, and the Criminal Division, have already begun to give this area of white collar crime special scrutiny. Its impact on the nation's consumers is great, federal resources and expertise are necessary to combat it, and public sentiment against energy fraud is at a high level. A separate national priority for energy pricing and related fraud is appropriate.

4. Misuse of charitable or non-profit institutions

This area of illegal activity is included in this report because it appears to be a problem of some significance at present, with great growth potential. The size of the problem is difficult to gauge due to the relative lack of attention given it by federal investigators and prosecutors.

Charity fraud essentially involves the solicitation of funds for a non-existent charity or a fraudulently-operating organization. The scope of this activity is unknown, but it was reported by respondents in Portland, Atlanta and Philadelphia, and those who have examined it claim it is a nationwide problem. Americans give roughly $40 billion each year to charities ranging from medical research to overseas orphans. Some authorities assert that in many of the largest charities, 10% or less of the funds received actually end up being spent for the causes cited when funds are solicited.

Victims of charity fraud include the individuals who contributed, legitimate charities that receive less money than they would otherwise, and the U.S. Treasury and the taxpayer through lost tax revenue. The losses from this type of fraud could be quite significant.

There are problems in investigating and prosecuting this kind of activity. There are no clear standards or duties defined with respect to proper disclosure of the use of funds or other aspects of charitable institutions. Also, a large part of charitable donations never reaches the intended beneficiaries due to mismanagement, as opposed to outright self-dealing and fraud by those soliciting funds.

This area is of such magnitude and potential importance that it needs close and immediate analysis. Legislative action, public education programs and other initiatives may be appropriate.

Conclusion

In this category of white collar crime, the following national priorities are adopted:

1. Consumer fraud schemes, including but not limited to fraud against insurance policy purchasers, merchandise swindles, false billings, home improvement fraud, and general misrepresentation of goods and services offered for sale, involving $100,000 or more in aggregate losses or 25 or more victims.

2. Criminal antitrust violations involving price-fixing, including resale price maintenance and other schemes affecting the food, energy, transportation, housing, clothing and health care industries, and collusive activities involving public works projects or public service contracts, where $1,000,000 or more in commerce is affected.

3. Energy pricing and related fraud, involving $500,000 or more in costs reported or prices charged for energy products.

E. Criminal Activity Victimizing Investors and the Integrity of the Marketplace

This category of white collar crime includes the following:

1. Securities fraud
2. Commodities fraud
3. Other investment fraud

1. Securities fraud

This type of illegal activity is identified as a problem area by all SEC regional offices, by Economic Crime Units in Chicago, Manhattan, New Orleans, Cleveland, and Los Angeles, and by several FBI field offices. It includes companies, their officers and brokers or other securities professionals misleading investors through misrepresentations in public documents or other fraudulent statements. It also includes insider trading and market manipulation by corporate insiders and securities professionals.

The immediate impact of this type of crime is on investors, individuals and institutions, who purchase securities on the basis of false information and suffer losses. The loss is generally more than $1,000 per investor, sometimes much more, but the total amount of dollar losses is very difficult to estimate. The more lasting and perhaps harmful impact of this crime is on the securities market as an institution. Investors become less likely to invest in stock and other securities; companies have greater difficulty in raising capital funds.

The impact may be particularly severe for small companies attempting to secure capital. Potential investors in securities may put their resources to less socially productive use (e.g., purchase of consumer goods or commodity speculation).

There are obstacles affecting the investigation and prosecution of these kinds of cases. The illegal activity is often hard to detect and hard to prove. Cases tend to be complex, requiring extended time and other resource commitments. Many investigators and prosecutors lack the expertise to attack securities cases.

Civil recoveries are often possible in these cases, but in many cases the offender is an individual who has successfully spent his assets or shielded them from recovery. Federal law enforcement emphasis would seem appropriate for those schemes involving large amounts of money or particularly egregious frauds by persons in positions of trust (corporate officials, brokers, securities, professionals). Technical violations of Securities Act provisions and smaller cases should not occupy criminal investigative or prosecutive resources.

With appropriate dollar amount qualifications, this area will be considered as a national priority.

2. Commodities fraud

This area of investor fraud is discussed separately because it was identified separately as a priority area by a significant number of respondents. Commodities fraud involves various schemes to sell to investors commodities (e.g., gold, silver, diamonds or other gems, spot crude oil, unleaded gasoline) which the perpetrators do not have and cannot deliver or soliciting investors' advance funds or down payments in a fraudulent manner. Much of this kind of fraud is conducted on a multi-state or national basis, using "boiler room" operations, toll-free numbers, direct mail and other techniques.

Commodities frauds were identified as priority areas by investigative agencies in Chicago, Kansas City, Salt Lake City, Phoenix, Brooklyn, Miami, Denver and Washington and by Economic Crime Units in Boston, Manhattan, Miami, Los Angeles and New Haven. Respondents reported state and local activity addressed to commodities fraud to be minimal and insufficient. Federal investigators and prosecutors are also often unprepared to deal with some of these frauds. Special training is needed in many areas, as well as some creative thinking on how to attack various schemes.

The FBI and the Criminal Division are both in the process of mounting an attack on commodities fraud, in all its forms. It merits being listed as a national priority area, with appropriate dollar amount qualifications.

3. Other investment fraud, including real estate fraud, tax shelter fraud, Ponzi schemes, etc.

This type of white collar crime involves major investment schemes, other than securities or commodities fraud, designed to defraud individuals who have capital to invest and the desire to make money. The money the victims provide the perpetrators is either never invested at all (e.g., Ponzi schemes) or the victims are misled as to the nature of the investment (e.g., real estate or tax shelter fraud). Franchise schemes are a particular type of investor fraud that work on the desire of the victim to own his or her own business; they involve selling nonexistent or worthless area franchises for fast food or auto supply outlets, for example. The schemes generally make heavy use of newspaper advertising, direct mail and phone banks in presenting their wares to an unwary and gullible public.

Real estate fraud was the most frequently reported investor fraud, being designated a priority area by a number of FBI offices, Postal Inspection Service offices in Los Angeles and Memphis, SEC regional offices in Los Angeles, Seattle, Chicago and Denver, HUD regional offices in San Francisco and New York, and Economic Crime Units in Denver, Portland, Columbia, New Haven, Miami and Los Angeles. Distributor/franchise fraud was the next most frequently identified problem area along with investment fraud generally, both of which were listed by a number of different agencies in all parts of the country. Coal-related tax shelter fraud was also identified as a problem in a number of areas.

The perpetrators of investment-related fraud are usually individuals with some sophistication in finance and business matters, and are often professional con artists who have been involved in various types of schemes, including advance fees, bankruptcy fraud, and others. The direct victims of investment fraud schemes are those who transfer assets to the perpetrators. The class of victims is broad, including wealthy individuals who are only marginally hurt by their losses, but also not very wealthy individuals who invest their savings, retirement money or other assets in various business ventures (which may be described to them as low-risk or no-risk) as a hedge against inflation or to simply increase their wealth. Individual losses vary, from a few thousand dollars to over $500,000 in some tax shelter and real estate frauds. Total losses due to this kind of fraud are very substantial.

The U.S. Treasury and taxpayers are indirect victims of tax shelter fraud. Franchising fraud makes legitimate franchising much harder to do and may sap the initiative of potential entrepreneurs. Legitimate businesses and brokers and other entrepreneurs are indirect victims of other types of investment fraud. The sale of phony business or partnership interests makes it somewhat harder for businesses, particularly small ones, to raise capital.

Our conclusion is that the major types of investment fraud need to be an area of federal law enforcement emphasis. However, large amounts of money must be involved in order for these frauds to be a priority. We see no need to focus on certain types of investment fraud and not others, for the purpose of defining national priorities. A more general priority description is appropriate, giving flexibility to investigative agency field offices and U.S. Attorneys to define the specific types of schemes that deserve emphasis in their respective regions.

Conclusion

In this category of white collar crime, the following national priorities are adopted:

1. Securities fraud, involving $100,000 or more in aggregate losses.
2. Commodities fraud, involving $100,000 or more in aggregate losses.
3. Land, real estate and other investment frauds, involving $100,000 or more in aggregate losses.

F. Criminal Activity Victimizing Employees and Involving the Misuse of Positions of Trust in the Private Sector

This category of white collar crime includes the following types of activity:

1. Misuse or embezzlement of union funds or union-affiliated pension and welfare funds
2. Unlawful employee payments to secure or keep employment
3. Employer payments to union officials in connection with labor-management relations
4. Health and safety violations endangering employees
5. Criminal acts by professionals and others in positions of trust and authority

The common element that illegal activities in this category share is that the offenders are individuals in fiduciary positions or special positions of trust and the victims are individuals who are defrauded or injured as a result of the perpetrators' disloyal or self-serving acts.

1. Misuse or embezzlement of union funds or union-affiliated pension and welfare funds

This type of activity includes kickbacks to union officials in return for benefit plan loans, illegal use of funds as collateral for personal loans for union officers, embezzlement of union funds, payment of compensation or other benefits to unqualified recipients, and other forms of misappropriation of union or benefit plan funds. This kind of crime was identified as a priority area by a large number of FBI field offices in all parts of the country, by the Department of Labor's Inspector General office and by the Economic Crime Unit in Newark. There seems to be some concentration of this activity in congested and heavily industrialized areas, which include major cities, along coast lines, and in many places where organized crime has influence.

Union officials are the usual perpetrators, sometimes in collusion with corrupt management or organized crime figures. In some cases public officials, usually at the state or local level, receive bribes from union officials for various favors or pay kickbacks to union officials for use of union funds. There are some indications that organized crime organizations use illegally-gained union benefit plan funds for other criminal activities, including the purchase of companies for bust-out schemes and other purposes and for laundering monies.

The victims are most often the union members who are supposed to benefit from the funds to which they contribute. Massive losses result from loan defaults, embezzlement and unsound investments caused by corrupt union officials. Such losses ultimately either reduce the amount of coverage or payments afforded union members or produce increases in the premiums members have to pay, or both. Secondary victims include unions as institutions and those injured by criminal activity financed by illegally diverted union funds. No precise figures are available on the dollar amounts misappropriated by union officials, but the union funds affected are enormous and the number of union members affected are certain to be in the hundreds of thousands.

The responses indicated that state and local law enforcement activity in this area is minimal. Increased federal efforts are likely to produce more convictions and lead to the detection of other criminal activities. The connection of this type of crime with organized crime sometimes complicates investigations and prosecutions, due to the reduced cooperation of prospective informants, witnesses and victims. Victims are also reticent to complain due to the economic power of union officials.

The percentage of all unions affected by this kind of illegal activity is relatively low. However, the impact of this kind of fraud on the unions affected is usually great. To reduce this impact and to protect the large number of honest unions, this type of white collar crime will be included in the list of national law enforcement priorities, combined with other union-related abuses discussed below.

2. Unlawful employee payments to secure or keep employment

This crime involves the payment of money to union officials or employers by employees or prospective employees to retain or secure employment. It does not include the bona fide payment of dues or initiation fees. The activity was reported as a priority area by only a few respondents, but there is good reason to believe that the problem is widespread.

The direct victims are the employees who are forced to pay for the privilege of working or enjoying union benefits. The employee's bribery of a union official may result in some benefit being unjustly denied another employee. These payments undermine the concept of non-discriminatory hiring practices and bring unions into disrepute.

This type of illegal activity will be grouped with other labor-related abuses and made a national priority.

3. Employer payments to union officials in connection with labor-management relations

This type of crime involves both union officials and employers as perpetrators. It includes union officials extorting funds from employers in return for labor peace or the avoidance of strikes or slowdowns, and the payment of bribes by management on its own initiative to union officials to achieve favorable treatment in labor contract negotiations, employee grievances, union organizing campaigns, etc. These activities were reported as problems by a number of FBI, Customs and ATF offices, as well as by the Department of Labor's Inspector General office. They appear to be most prevalent in the construction, trucking and waterfront industries. The garment and restaurant trades were also mentioned, primarily in major coastal cities.

Almost half of the respondents discussing this kind of activity cited organized crime figures as either principals or associates of the offenders. The control of certain unions and/or industries in particular geographic areas by organized criminal elements was cited as the objective of this kind of activity.

While the unwilling employer-payor may suffer losses of funds or be driven out of business, the other victims of this type of illegal activity are the employees whose collective bargaining rights and benefits are compromised. In some cases though, employees cooperate with their union officials where the employees stand to gain from non-productive practices imposed on employers as a condition of labor peace. Consumers are the indirect victims of this illegal activity when the costs of bribery and extortion of union officials and of non-productive employee practices are passed along in higher prices.

Federal law enforcement emphasis on this type of labor-related abuse, along with other similar abuses, is warranted.

4. Health and safety violations endangering employees

This category of white collar crime includes health and safety violations by employers which expose employees to life-endangering situations. Life-endangering violations are those that are likely or may be reasonably foreseen to cause death or serious bodily injury to employees. Serious bodily injury means an impairment of physical condition, including physical pain that a) creates a substantial risk of death or b) causes permanent disfigurement, unconsciousness, extreme pain or permanent or protracted loss or impairment of the function of any bodily member, organ, or mental faculty.

Health and safety violations, primarily OSHA and Mine Safety violations, were reported as problems by a number of respondents. Federal criminal law enforcement activity in this area has been, up to this point, very limited. However, the General Litigation section of the Criminal Division is beginning to focus its attention on a wide range of criminal health and safety violations, including those affecting employees. The irreparable harm actually caused by this kind of violation, the great potential for even greater harm, and the keen federal interest in this area all indicate that life-endangering health and safety violations affecting employees should be a national law enforcement priority.

5. Criminal acts by professionals and others in positions of special trust and authority

This type of illegal activity was not separately identified by any respondents but was suggested in many of their responses. It essentially involves activity by professionals, such as lawyers, doctors, nurses, dentists, accountants, or by other individuals in special positions of trust in the private sector which causes or allows white collar crime in various forms to occur. It includes activities such as doctors performing unnecessary medical tests or prescribing unnecessary drugs in order to obtain more Medicare/Medicaid funds or kickbacks from clinics or pharmacists; lawyers who participate in fake accident schemes or who divert sums rightfully due their clients; accountants who engage in account manipulation to hide illegal schemes; corporate officials who defraud their stockholders or who engage in practices endangering the health and safety of their employees or of the public generally; or hospital or nursing home administrators who defraud or abuse patients or their relatives.

These kinds of activities are often tied to larger illegal schemes, discussed in other parts of this report. The notion that has been discussed in various contexts, however, is that one effective way to curtail white collar crime is to impose special duties on those individuals whose special skills are needed in order to bring various types of schemes to fruition. Beyond the key role that these individuals play in perpetrating white collar crime, there is also the underlying feeling that because members of the general public are at their mercy, often involuntarily, these skilled individuals have a special responsibility to prevent, or at least disclose, illegal schemes that come to their attention.

There are, of course, problems in defining the class of individuals subject to this special duty and the parameters of their responsibility. However, serious thought will be given by the Department to the special responsibilities of individuals in positions of trust in the private sector and to the appropriate federal law enforcement response to serious violations of those responsibilities.

Conclusion

In this category of white collar crime, the following national priorities are adopted:

1. Union official corruption-embezzlement of union pension, welfare or other benefit funds involving $25,000 or more in losses; bribery or kickbacks to union officials involving $5,000 or more in the aggregate.

2. Life-endangering health and safety violations affecting employees, including OSHA and Mine Safety violations.

G. Criminal Activity Threatening the Health and Safety of the General Public

This category of white collar crime includes the following types of illegal activity:

1. Illegal disposal of toxic, hazardous or carcinogenic wastes

2. Regulatory violations affecting the health and safety of the general public.

1. Illegal disposal of toxic, hazardous or carcinogenic wastes

This illegal activity involves the discharging of toxic, hazardous and/or carcinogenic wastes into the air, land, and water in excess of regulatory limits or in disregard of statutory prohibition. It also involves the transporting of toxic substances across state lines without complying with Department of Transportation regulations.

This kind of activity occurs throughout the United States and affects international waters as well as neighboring countries. It is identified as a priority area by Economic Crime Units in Philadelphia (number one priority), Newark (number two) and Cleveland (number four) and as the number one priority of the Department's Land and Natural Resources Division. A few investigative agency field offices also identified dumping of toxic wastes as a major problem.

The perpetrators include businesses who dispose of toxic wastes improperly, entrepreneurs who arrange for the illegal dumping, some municipalities who are violators themselves, and some city or county officials who conspire with companies that are violators. The victims include the public at large, through loss of natural resources and public recreational facilities, and individual citizens who become ill or die, who lose their livelihood due to the effects of toxic material, or who lose their houses due to extreme pollution of entire residential neighborhoods. The total impact of this kind of crime is immeasurable; it reaches far beyond the present. Diseases and fatalities will occur in the future as a result of the perpetration of these crimes today.

The respondents indicated that state and local enforcement in this area is either minimal to non-existent or significant but insufficient. There are difficulties confronting law enforcement against this type of crime: 1) the lack of trained personnel; 2) the difficulty in detecting pollutants once they have been discharged; and 3) the lack of stringent penalties and sentencing for offenders. Increased federal emphasis would have to include resources devoted to each of these problems.

It seems clear that increased criminal investigation and prosecution would have a substantial effect in deterring these types of offenses. Many corporations appear to figure the costs of potential civil penalties into their costs of doing business and decide it is more "efficient ' for them to violate pollution laws than to obey them. Criminal prosecutions and effective penalties are needed to upset this kind of calculus.

Thus, for a number of reasons, this type of white collar crime will be designated as a national law enforcement priority.

2. Regulatory violations affecting the health and safety of the general public

This broad category involves violations of a number of statutes and regulations promulgated by numerous federal agencies. The regulations involved all, in some way, deal with the protection of the health and safety of members of the general public. The agencies whose regulations are of particular interest include the Food and Drug Administration, EPA, the Nuclear Regulatory Commission, and the Consumer Product Safety Commission.

The violations may go undetected until severe, irreversible damage has been done. The ultimate victims are members of the public who are exposed to danger and who may suffer injuries, due to false statements to regulatory agencies or violations of statutes or regulations regarding food, drugs, consumer products, nuclear power plants, or other regulated goods or facilities.

As with other health and safety violations, federal criminal law enforcement activity in these areas has been minimal. However, the costs to individuals and to society generally resulting from these violations are unquestionably great. They deserve much more federal attention than they are currently receiving. Therefore, a separate national priority for these violations, when they are of a life-endangering nature, is appropriate.

Conclusion

In this category of white collar crime, the following national priorities are adopted:

1. The discharge of toxic, hazardous or carcinogenic wastes in excess of regulatory limits or in disregard of statutory prohibitions.

2. Life-endangering violations of health and safety regulations for the protection of the public, including but not limited to regulations pertaining to food, drugs, consumer products, nuclear power facilities and other federally regulated goods and facilities.

IV. IMPLEMENTATION AND EVALUATION

The national white collar crime law enforcement priorities, and the district priorities that will follow, are intended to provide guidance and direction to federal investigators and prosecutors concerning which white collar crime matters deserve special emphasis. The priorities will enhance the federal government's efforts to combat white collar crime in a number of ways. Specifically, the implementation of these priority areas should help accomplish the following:

1. Improved coordination and allocation of limited federal investigative and prosecutive resources on both the national and district level;
2. Better coordination of federal, state and local law enforcement efforts directed toward white collar crime;
3. More comprehensive and timely identification of trends or patterns in white collar crime requiring legislative initiatives or special emphasis in the areas of prevention, detection, investigation or prosecution;
4. Expeditious development of new and more effective investigative techniques, prosecution practices and training programs in white collar crime law enforcement;
5. Furtherance of consistency and equal justice in federal law enforcement, in conjunction with prosecutive guidelines for United States Attorneys;
6. Improved communication between and among law enforcement officials, Congress, the business community and members of the general public concerning white collar crime problems, their impact on society and appropriate public and private measures for dealing with them.

The national and district white collar crime law enforcement priorities will be successful in achieving these and other objectives only if the members of the federal law enforcement community modify, where necessary, their respective goals and procedures to encourage implementation of those priorities and to allow periodic evaluation of successes or failures in carrying out those priorities. The cooperation among federal agencies in formulating the priorities discussed in this report has been superb. The same type of cooperation is expected as we begin to put these priorities into operation. The agencies that will be primarily involved in implementing and evaluating the impact of the priorities are discussed below.

A. Agencies Primarily Involved in Implementing and Evaluating the Impact of Priorities

1. United States Attorneys and Other Departmental Attorneys

United States Attorneys will play a key role in implementing white collar crime priorities. Initially, U.S. Attorneys in a limited number of districts will be asked to define district white collar crime law enforcement priorities for their respective districts, after consultation with the federal investigative agencies and Economic Crime Unit Specialist in their districts. As set forth in Attorney General Order No. 817-79, "Each United States Attorney shall select specific priorities within the national policy that are particular to their federal districts, with the concurrence of the Assistant Attorney General in charge of the Criminal Division." Thus, district priorities may be subsets or more specific descriptions of the national priorities. For example, while federal program fraud involving $25,000 or more in aggregate losses or corruption is a national priority area, a federal district may want to declare as a district priority one or two specific types of program fraud that are prevalent in that district. Similarly, specific types of federal, state or local corruption may be designated as district law enforcement priorities.

District priorities should be used as a means of coordinating and focusing federal law enforcement resources devoted to white collar crime. They are intended to give U.S. Attorneys and federal investigative agencies flexibility, within the overarching framework of the national priorities, in dealing with problems of local importance and concern. Eventually, all federal districts will be asked to define district white collar crime law enforcement priorities. District priorities, like national priorities, will indicate the types of white collar crime matters that deserve relatively more resources and attention by the federal law enforcement authorities in a particular federal district. It should be emphasized, however, that there may be matters which do not fall within the national or district priority specifications that nevertheless are very important. These matters, which may involve professional criminals or issues of great local significance, should continue to be aggressively pursued.

The Criminal Division will define areas within the national priorities that merit special emphasis and nationwide coordination by the Division. For example, the Criminal Division's Fraud Section is now coordinating an inter-agency effort directed at commodities fraud. Similar national emphasis programs may be formed in other priority areas.

The Economic Crime Unit Program will also play an important role in implementing national and district priorities. The Economic Crime Unit Specialists will continue to gather information concerning important white collar crime problems in their respective areas, and they will continue to help coordinate federal efforts directed toward major white collar crime activity. They will work closely with U.S. Attorneys and federal investigators in defining and implementing district priorities.

Other Divisions in the Department that undertake the investigation and prosecution of white collar crime matters (primarily the Tax Division and the Antitrust Division) will give special attention to the priority cases in their respective areas and will continue to work with the Criminal Division in monitoring the impact of the national law enforcement priorities on white collar crime activity.

In order to keep track of prosecutive activity with respect to priority areas, the national white collar crime priorities will be included in the reporting and information systems used by U.S. Attorneys and other Department attorneys. For U.S. Attorneys, the current Docket and Reporting System will be modified to include national priorities as items about which information is collected. This will require modification and expansion of the existing offense codes used by the Executive Office for U.S. Attorneys to reflect the national priorities. The current offense codes are listed in Appendix D.

The management information system currently being implemented in the Criminal Division will be modified to include designation codes and other case-specific information for investigations and cases that are national priorities. Other Divisions in the Department involved in prosecuting white collar criminal matters will also need to keep similar information regarding priority cases.

In addition to information concerning the number and types of priority cases opened, pending, and closed, and the results of those cases, the Department will collect information concerning other law enforcement activity with respect to priority areas to the extent possible. This includes information with regard to the prevention and detection of illegal activity, the training of personnel to investigate or prosecute white collar crime, more efficient ways of handling cases, progress in achieving more effective sentencing of convicted offenders, and similar information. Progress in addressing national priorities will thus be assessed in a variety of ways.

2. Federal Bureau of Investigation

The FBI has played a significant role in defining the national white collar crime law enforcement priorities and will play an equally significant role in implementing them. The national priorities should indicate to FBI field offices the types of white collar crime cases that should be receiving major investigative emphasis. The FBI field offices should also work directly with U.S. Attorneys and other federal investigative agencies in formulating district priorities.

The FBI is in the process of determining the extent to which its internal record-keeping systems will have to be changed in order to collect information concerning activity with respect to each priority area. The Bureau's current white collar crime classifications and priority designations are shown in Appendix A. Substantial changes in the FBI's record-keeping systems may be necessary and those changes may require time. In the meantime, the FBI's current system will be used, to the extent possible, to collect information concerning national white collar crime priority activity. Evaluation of the Bureau's activity in priority areas will involve measurements of activity along a number of dimensions, as discussed above with regard to U.S. Attorneys and other Department attorneys.

3. Other Major Investigative Agencies

Each of the major federal investigative agencies that participated in the formulation of the national law enforcement priorities (Customs Service, ATF, Secret Service, Postal Inspection Service and SEC) will also be involved in their implementation. Each of these agencies is primarily responsible for the investigation of one or more of the national priorities. The priority descriptions should assist the agencies in allocating their investigative resources and also indicate the types of cases that are likely to receive special attention when presented to federal prosecutors.

As with the FBI, the major investigative agencies should be involved in the determination of district white collar crime law enforcement priorities. They will also be asked to keep information concerning the number and types of priority cases that have been opened, are being handled or have been closed over designated periods of time and the results of those cases, so that our evaluation of the impact of the priorities will be as complete as possible.

4. Inspectors General and Equivalents

All Inspectors General and their equivalents in the Department of Defense will be affected by both the national and the district priorities. The priorities should give increased guidance to Inspectors General concerning the cases that will receive prosecutive emphasis by the Department. They may also help in deciding how to allocate resources within Inspectors General offices. Comments received from a number of Inspector General offices on the draft of this report indicated strong support for the establishment and implementation of national priorities.

In order to trace the effects of the priorities, Inspectors General will be asked to keep information concerning the number and types of priority cases being handled by their offices, as well as other information regarding priority activity. Modifications of the current White Collar Crime Referral Form and of internal record-keeping systems may be necessary.

5. Bureau of Prisons

Ideally, an evaluation of the impact of white collar crime enforcement priorities should also include information on the results of criminal prosecutions, including the number of convictions, fines and sentences levied, and number of convicted offenders actually incarcerated. The U.S. Bureau of Prisons collects information on an annual basis concerning the number of prisoners, their race and sex, and the average sentence being served, by various categories of offense.

The Bureau's existing offense categories and statistics as of the end of FY 1978 and FY 1979 are included in Appendix E to this report. As shown there, the crime categories relating to white collar crime are general in nature and are not consistent with the Docket and Reporting system offense codes or the FBI's crime classifications.

Modifications of the Bureau of Prisons' offense categories may be necessary in order to identify the number of persons imprisoned for specific types of white collar crime offenses and the sentences associated with those offenses. Evaluation of the Department's white collar crime efforts, including the impact of national and district priorities, could then be more complete.

B. Updating Information Base and Reevaluating Priorities

The Department will update periodically its information base concerning white collar crime activity. Concurrently, it will reevaluate existing national and district priorities. Doing so on an annual basis is probably about as frequently as logistics and information-processing time will allow.

The information provided in response to the Department's Information Requests in this initial effort was received in early 1980. The exact timing of future Information Update Requests by the Department will be determined after consultation with the agencies involved.

C. Time Frame for Implementation and Evaluation

The implementation process described above is an ambitious one. It will require considerable attention by all those affected and also a significant amount of time. The national priorities are effective immediately and they should guide the efforts of federal investigators and prosecutors at once. However, ongoing investigations and prosecutions should continue, and any shifting of resources into priority areas will necessarily take place gradually.

District priorities will be established in phases over the next two years. Districts with Economic Crime Units or special fraud or corruption units will formulate their district priorities first. Other districts will follow as expeditiously as possible.

Information-gathering for the purposes of evaluating the impact of the national and district priorities will also take place in different stages over an extended period of time. Modifications of existing Department information systems will be accomplished as soon as is feasible. By the end of Fiscal Year 1981, the Department should be in a position to provide a considerable amount of information concerning activity with respect to priority areas and the impact of national and district priorities on law enforcement efforts during that fiscal year. More complete information should be available for the next fiscal year.

The Deputy Attorney General and the Assistant Attorney General in charge of the Criminal Division will report to the Attorney General periodically concerning the implementation of the white collar crime priorities and their effect on law enforcement activity. The Department will report to Congress and the American public periodically concerning our progress in priority areas and in the white collar crime area generally.

National and district priorities will be reevaluated annually on the basis of new information concerning white collar crime activity and the advice and experience of members of the federal law enforcement community. The lessons we learn as we implement these priorities should be beneficial not only in the area of white collar crime, but in other areas of law enforcement as well.

D. Effect on Declination Policies

The implementation of white collar crime priorities will, in many cases, result in a reallocation of federal law enforcement resources devoted to white collar crime. In general, this should mean more resources allocated to major white collar crime matters and fewer resources to small, relatively minor matters.

The Department will attempt to monitor the effect of the priorities on the numbers and types of white collar cases declined for prosecution. By enhancing communication between prosecutors and investigators, the priorities may decrease the number of white collar crime cases that are referred for prosecution and then declined, thus promoting more efficient use of federal resources. In any event, in evaluating the impact of the priorities, the Department will be alert to their effect on declinations.

V. SUMMARY OF NATIONAL WHITE COLLAR CRIME LAW ENFORCEMENT PRIORITIES

This report has briefly summarized the Department's findings with respect to the types of white collar crime activity that seem most prevalent and most significant across the country. The national white collar crime law enforcement priorities described in this report are based upon the information gathered by the Department, viewed in light of a number of specific criteria. The priorities also reflect many comments and suggestions received from the more than twenty agencies, departments and Department of Justice components that participated in this initiative by providing information and reviewing an earlier draft of this report.

The national priorities should be viewed by federal prosecutors and investigators as guideposts and indicators of the types of white collar crime that deserve special emphasis. It should be clear that cases which may not fall strictly within the priority specifications may nevertheless be very important. This would be true, for example, of cases involving known con artists, even though the dollar amount of losses may be moderate. National priority cases, moreover, may be very few in number in some parts of the country.

It should be noted that some of the white collar crime priority areas are in many cases associated with traditional organized crime or other organized criminal activity. Our assumption is that most, if not all, white collar crime offenses involving traditional organized crime or other organized criminal activity will be pursued by investigators or prosecutors under existing organized crime programs. Therefore, there are no references to organized crime in the priority descriptions.

The national white collar crime law enforcement priorities are as follows:

NATIONAL WHITE COLLAR CRIME PRIORITIES

A. Crimes Against Federal, State or Local Governments By Public Officials

Federal corruption - procurement[17]

Federal corruption - programs[17]

Federal corruption - law enforcement[17]

Federal corruption - other[17]

State corruption - major officials[18]; other employees where corruption is systemic

Local corruption - major officials[19]; other employees where corruption is systemic

B. Crimes Against the Government By Private Citizens

Federal procurement fraud, non-corruption - $25,000 or more in aggregate losses

Federal program fraud, non-corruption - $25,000 or more in aggregate losses

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[17] For some purposes, this item can be consolidated with other federal corruption items into one "federal corruption" category; however, it should remain as a separate item for record-keeping purposes.

[18] Major officials = governors, legislators, department or agency heads, court officials, law enforcement officials at policymaking or managerial level, and their staffs.

[19] Major officials = mayors, city council members or equivalents, city managers or equivalents, department or agency heads, court officials, law enforcement officials at policymaking or managerial level, and their staffs.

Counterfeiting of U.S. currency or securities

Customs violations - duty violations, $25,000 or more in tax revenue losses, one transaction, or $50,000 or more in tax revenue losses, multiple transactions; currency violations, $25,000 or more in currency, one transaction, or $50,000 or more in currency, multiple transactions

Tax violations - major federal tax violations[20]

Trafficking in contraband cigarettes - $100,000 or more in aggregate tax revenue losses

C. Crimes Against Business

Insurance fraud, including arson for profit - $250,000 or more in aggregate losses or two or more incidents perpetrated by the same person or persons

Advance fee schemes - $100,000 or more in aggregate losses or 10 or more victims

Bankruptcy fraud - $100,000 or more in aggregate losses

Other major crimes against business - fraud involving $100,000 or more in aggregate losses; labor racketeering; copyright violations involving manufacturers or distributors, distribution in three or more states or countries, and $500,000 or more in aggregate losses

Bank fraud and embezzlement - $100,000 or more in aggregate losses

D. Crimes Against Consumers

Consumer fraud - $100,000 or more in aggregate losses or 25 or more victims

Antitrust violations - price-fixing, including resale price maintenance and other schemes affecting the food, energy, transportation, housing, clothing and health care industries; collusive activities involving public work projects or public service contracts–$1,000,000 or more in commerce affected

Energy pricing and related fraud - $500,000 or more in costs reported or prices charged for energy products

E. Crimes Against Investors

Securities fraud - $100,000 or more in aggregate losses

Commodities fraud - $100,000 or more in aggregate losses

Land, real estate and other investment frauds - $100,000 or more in aggregate losses

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[20] Priority matters are identified on a case-by-case basis by the Tax Division, in collaboration with the Internal Revenue Service, taking into account the amount of tax revenue losses and the adverse impact of the violation on the federal tax system.

F. Crimes Against Employees

Union official corruption - embezzlement of union pension, welfare or other benefit funds involving $25,000 or more in aggregate losses; bribery or kickbacks to union officials involving $5,000 or more in the aggregate

Life-endangering[21] health and safety violations: OSHA, Mine Safety

G. Crimes Affecting the Health and Safety of the General Public

Discharge of toxic, hazardous or carcinogenic waste in excess of federal statutory or regulatory limits

Life-endangering[21] violations of health and safety provisions and regulations pertaining to food, drugs, consumer products, nuclear power facilities and other federally regulated goods and facilities

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[21] Life-endangering violations include business practices and other acts or products that are likely or may be reasonably foreseen to cause death or serious bodily injury to human beings (including a human fetus); serious bodily injury means an impairment of physical condition, including physical pain that a) creates a substantial risk of death or b) causes permanent disfigurement, unconsciousness, extreme pain or permanent or protracted loss or impairment of the function of any bodily member, organ, or mental faculty.

NATIONAL PRIORITIES FOR THE INVESTIGATION AND PROSECUTION OF WHITE COLLAR CRIME

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APPENDICES

9. **Crimes Against Foreigners**

[illegible]

"[illegible]" [illegible]

10. **Offenses Involving the Peace [illegible]**

[illegible]

[illegible]

[illegible]

APPENDIX A

CURRENT FBI WHITE COLLAR CRIME PRIORITIES AND FY 1979 RESOURCE ALLOCATION

A. Categories of Offenses and Priorities

The FBI groups white collar crime offenses into 70 categories for reporting purposes. The current (as of February 1, 1980) categories are shown below. The Bureau's priority areas are designated by asterisks. When FBI field offices open a white collar crime investigation, the proper offense code is entered on an investigation initiation form, which is forwarded to FBI headquarters and updated upon the occurrence of a significant event (e.g., grand jury convened, indictment returned, etc.).

FBI CLASSIFICATIONS GROUPED BY NATIONAL PRIORITY AND PROGRAM

February 1, 1980

PRIORITY I

WHITE COLLAR CRIME PROGRAM:

*17A	Fraud Against Govt-VA-Officials; Loss +$25,000
17B	Fraud Against Govt-VA-All Other Criminal Matters
27	Patent Matters
*28A	Copyright Matters-Mfgrs & Distr of Sound Recordings
*28B	Copyright Matters-Mfgrs & Distr of Motion Pictures
28C	Copyright Matters-All Others
*29A	Bank Fraud and Embezzlement-Exceeding $100,000
*29B	Bank Fraud and Embezzlement-$10,000-$100,000
29C	Bank Fraud and Embezzlement-$1,500 -$9,999
29D	Bank Fraud and Embezzlement-Under $1,500
36	Mail Fraud
*46A	Fraud Against Govt-Misc-Officials; Loss +$25,000
46B	Fraud Against Govt-Misc-All Other Criminal Mtrs
*49A	National Bankruptcy Act-$50,000+, Court Off; Scam
49B	National Bankruptcy Act-All Others
51	Jury Panel Investigations
56	Election laws
*58	Bribery; Conflict of Interest
*62A	Administrative Inquiry; Federal Judiciary Invest
62B	Census Matter; 8Hr Day; Kick Back Act. Et Al
69	Contempt of Court
*72	Obstruction of Justice
*74	Perjury
75	Bondsmen and Sureties
*86A	Fraud Against Govt-SBA-Officials; Loss +$25,000
86B	Fraud Against Govt-SBA-All Other Criminal Matters
*87D	Interstate Trans of Stolen Prop-Sec & NI $50,000+
87E	Interstate Trans of Stolen Prop-Sec & NI -$50,000
119	Federal Regulation of Lobbying Act
*122	Labor Management Relations Act, 1947
125	Railway Labor Act-Including Emp Liability Act
139	Interception of Communications
141	False Entries in Records of Interstate Carriers
*147A	Fraud Against Govt-HUD-Officials; Loss +$25,000
147B	Fraud Against Govt-HUD-All Other Criminal Matters
*156	Employee Retirement Income Security Act
*159	Labor-Management Reporting and Disclosure Act 1959
181	Consumer Credit Protection Act
*183D	RICO-White Collar Crimes
186	Real Estate Settlement Procedures Act 1974
*194D	Hobbs Act-Corrupt Pub Officials-Non LCN Involvement
*195	Hobbs Act-Labor Related
*196A	Fraud by Wire-Intnatl Fraud +$25,000 or 10+Victims
*196B	Fraud by Wire-Natl Fraud +$25,000 or 10+Victims
196C	Fraud by Wire-All Others
205	Foreign Corrupt Practices Act of 1977
*206A	Fraud Against Govt-DOD-Officials; Loss +$25,000
206B	Fraud Against Govt-DOD-All Other Criminal Matters
*206C	Fraud Against Govt-DOA-Officials; Loss +$25,000
206D	Fraud Against Govt-DOA-All Other Criminal Matters
*206E	Fraud Against Govt-DOC-Officials; Loss +$25,000
206F	Fraud Against Govt-DOC-All Other Criminal Matters
*206G	Fraud Against Govt-CSA-Officials; Loss +$25,000
206H	Fraud Against Govt-CSA-All Other Criminal Matters
*206I	Fraud Against Govt-DOI-Officials; Loss +$25,000
206J	Fraud Against Govt-DOI-All Other Criminal Matters
*207A	Fraud Against Govt-EPA-Officials; Loss +25,000
207B	Fraud Against Govt-EPA-All Other Criminal Matters
*207C	Fraud Against Govt-NASA-Officials; Loss +$25,000
207D	Fraud Against Govt-NASA-All Other Criminal Matters
*207E	Fraud Against Govt-DOE-Officials; Loss +$25,000
207F	Fraud Against Govt-DOE-All Other Criminal Matters
*207G	Fraud Against Govt-DOT-Officials; Loss +$25,000
207H	Fraud Against Govt-DOT-All Other Criminal Matters
*208A	Fraud Against Govt-GSA-Officials; Loss +$25,000
208B	Fraud Against Govt-GSA-All Other Criminal Matters
*209A	Fraud Against Govt-HEW-Officials; Loss +$25,000
209B	Fraud Against Govt-HEW-All Other Criminal Matters
*210A	Fraud Against Govt-DOL-Officials; Loss +25,000
210B	Fraud Against Govt-DOL-All Other Criminal Matters

B. FY 1979 Resource Allocation

White collar crime is one of the Bureau's three top priority areas, along with organized crime and foreign counter-intelligence. The following table shows the percentage of the FBI's investigative resources devoted to white collar crime and some of the Bureau's other programs, and also indicates the relative number of convictions, fines levied, recovered funds, and potential economic loss prevented.[1]

TABLE 1

Allocation of Resources Among Various FBI Programs and Other Statistics – FY 1979

Program	Percentage of Total Investigative Resources	Number of Convictions	Fines Levied (millions)	Funds Recovered (millions)	Potential Economic Loss Prevented (millions)
White Collar Crime	21%	3,718	$4.8	$60.1	$921.4
Organized Crime	19	636	8.9	13.5	591.1
Personal Crimes	8	1,771	0.1	5.1	3.4
General Property Crimes	7	1,350	1.1	52.3	407.5
General Government Crimes	2	1,158	0.1	3.0	4.4
Antitrust and Civil Matters	0.5	117	12.2	–	0.2

Source: Internal FBI Study.

Information similar to that contained in Table 1 has been compiled for each major category of offense within the Bureau's white collar crime program. Table 2 below shows the agent work-years devoted to various categories of white collar crime for FY 1979 and indicates the convictions handed down, fines levied, funds recovered, and potential economic loss prevented in each category.

The Bureau has been conducting over the last few months an internal evaluation of its white collar crime program. That evaluation should be completed and forwarded to the Director in the very near future.

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[1] Potential economic loss prevented (PELP) is estimated by FBI agents working on investigations, based on thieir knowledge of the case and their professional judgment. The figure is thus a best guess and should be viewed with appropriate caution.

TABLE 2

Allocation of Resources Among Major FBI White Collar Crime Activities and Other Statistics – FY 1979*

Major Category	Agent Work-years Consumed	Approximate Percent of WCC Resources**	Approximate Percent of total FBI Resources***	Investigative Matters Received	Number of Convictions	Fines Levied (millions)	Funds Recovered (millions)	Potential Economic Loss Prevented (millions)
Fraud by Wire, ITSP	370	25.0%	5.3%	23,097	705	$1.24	$28.43	$648.95
Fraud Against the Government	366	24.7%	5.2%	11,555	749	2.36	6.24	36.55
Bank Fraud and Embezzlement	296	20.0%	4.2%	13,732	1,735	0.67	23.91	16.04
Hobbs Act-Public Corruption	115	7.8%	1.6%	1,778	90	0.41	.25	.59
Labor Matters	57	3.9%	.8%	1,082	41	0.07	.18	1.11
Copyright	47	3.2%	.7%	1,834	49	0.21	.80	216.51
Bribery	45	3.0%	.6%	1,000	57	0.16	.01	2.14
National Bankruptcy	35	2.4%	.5%	1,402	60	0.06	.24	7.00
	1,331	90%	18.9%	55,480	3,486	$5.18	$60.06	$928.89

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*Categories included in this table represent approximately 98 % of white collar crime matters received and over 90% of agent work-years consumed.

** Assumes categories shown represent 90% of total agent work-years consumed by white collar crime program.

*** Based on data showing 21% of total FBI resources devoted to White Collar Crime Program (see Table 1).

Source: Internal FBI Study.

APPENDIX B

MASTER LIST OF WHITE COLLAR CRIMES

A. Irregularities involving manipulation of federally-funded programs

A01	1. Misuse of CETA funds
A02	2. Misuse of VA loans
A03	3. Misuse of SBA loans (fraudulent statements, withdrawal of collateral, etc.)
A04	4. Misuse of research grants
A05	5. Misuse of food stamps
A06	6. Misuse of housing programs (HUD loans, grants, subsidies)
A07	7. Student loan abuse
A08	8. Misuse of highway or other transportation funds (NHTS grants, UMTA grants)
A09	9. Medicare/Medicaid fraud (by providers, administrators, or recipients)
A10	10. Welfare fraud (income maintenance)
A11	11. Misuse of urban renewal program (payoffs, embezzlements, etc.)
A12	12. False claims - social security and social security benefits
A13	13. FDIC loan fraud
A14	14. Worker's Compensation fraud
A15	15. Misuse of Emergency Disaster Loan Funds
A16	16. Misuse of Child Nutrition Program Funds
A17	17. Misuse of Price Support Program Funds
A18	18. Weatherization Program Funds
A19	19. Imprest Fund Losses
A20	20. Social Security Benefit and Welfare Programs
A21	21. Social Security Agency Grants and Payments
A22	22. Government Employee Crimes and Corrupt Practices
A23	23. Education Aid and Grant Programs
A24	24. Grant and Contract Fraud (other than research)/Subcontractors fraud
A25	25. General recipient fraud
A26	26. Fraudulent FHA loan applications
A27	27. Wastewater treatment construction grant fraud (EPA, Agriculture)
A28	28. Demonstration and training grants
A29	29. DOD Champus fraud
A30	30. FHA mortgage loan fraud (including misuse of veteran benefits)
A31	31. Supplemental Security Income
A32	32. Alcoholic and Drug Rehabilitation Funds
A33	33. Misuse of FDA funds
A34	34. Farmers Home Administration Loan Fraud
A35	35. Tobacco marketing fraud
A36	36. Non-CETA, DOL employment fraud
A37	37. Misuse/fraud re: Dept. Commerce funds
A38	38. Misuse of unidentified federal funds
A39	39. Misuse of EPA funds
A40	40. Fraudulent application/operation of Small Investment Companies (MESBICs)
A41	41. Misuse of Community Development funds
A42	42. Housing Rehabilitation Program Fraud
A43	43. Equity skimming/Improper diversion of multifamily housing project funds
A44	44. Straw buyers/housing programs
A45	45. Fraud in operation/management of multifamily housing
A46	46. Fraud in single-family housing loans

A47	47. Fraud related to multifamily construction costs
A48	48. Fraud related to property disposition activities
A49	49. Theft of project receipts at HUD sponsored projects
A50	50. Architect kickbacks/HUD sponsored projects
A51	51. FAIR (Fairly Assigned Insurance Rates) Plan Abuse [HUD Program]
A52	52. Misuse of HEW Research Funds
A53	53. Fraud against DOL by state agency
A54	54. Misuse of Community Service Administration Funds
A55	55. Fed. Employees Compensation Fraud
A56	56. Longshore Workers Compensation Fraud
A57	57. Coal Mine Workers Comp. Fraud (by lawyers against claimants)
A58	58. Coal Mine Workers Medical Benefits Fraud
A59	59. Military Reserve Pay
A60	60. Military Retirement and Disability Pay
A61	61. Misuse of VA education benefits
A62	62. Misuse of VA compensation and pension benefits
A63	63. Misuse of VA medical programs
A64	64. Misuse of VA insurance benefits
A65	65. Misuse of VA loan guaranty benefits
A66	66. Victimization of veterans by private institutions
A67	67. Title I, Elementary and Secondary Education Act

B. Irregularities involving federal-state-local government procurement and operations (e.g., false statements, padding of payrolls or value of goods and services, kickbacks, bribery or self-dealing)

B01	1. Construction contracts
B02	2. Defense installations and production
B03	3. Roadbuilding, transportation
B04	4. Educational programs
B05	5. Government health care programs
B06	6. Solid waste disposal/cartage
B07	7. Engineering/Architectural consulting
B08	8. Government vehicles
B09	9. Office supplies and equipment
B10	10. Food services
B11	11. Race track
B12	12. Fraud against the Postal Service
B13	13. Bribery, kickbacks, etc. generally
B14	14. Department of Energy procurement
B15	15. Embezzlement of program funds/defrauding program
B16	16. Concessions
B17	17. Consultant contracts
B18	18. Other contracts
B19	19. Minority front/business contractor fraud
B20	20. Taxing Authorities (local)
B21	21. Indian tribal procurement
B22	22. Leasing contracts
B23	23. Maintenance contracts
B24	24. Contract bid-fixing
B25	25. Overbilling of U.S. by contractors
B26	26. GSA officials' wrongdoing (payoffs, kickbacks, etc.)

B27 27. Failure to meet contract specifications (Insufficient quality or amount of procured product)
B28 28. Service contracts, e.g., security, janitorial
B29 29. Computer services contract
B30 30. Federal telecommunications services
B31 31. Fraud involving contracts under Section 8(a) of SBA
B32 32. Overbilling, fraudulent statements for repair work on government owned houses
B33 33. Manipulation of Subcontractor Contract Housing Construction
B34 34. Misuse of Acquired Property Sale Program
B35 35. Local Housing Authority Contracts for Goods and Services
B36 36. Community Development Block Grant Program-materials acquisition and use.
B37 37. Housing program procurement generally
B38 38. Embezzlement of funds from public housing authorities
B39 39. Theft of money and material from HUD owned properties
B40 40. Fraud/corruption involving railroad management
B41 41. Fraud/corruption involving lumber procurement/forest service contracts
B42 42. Contract Cost Mischarging (DOD)
B43 43. Product Substitution (DOD)
B44 44. COPADS/COCESS (DOD)

C. Investment manipulation/Consumer victimization

C01 1. Advance fee schemes/worthless loan commitments
C02 2. Real estate frauds
C03 3. Securities Acts violations - misrepresentation to investors, sale of non-registered stock
C04 4. Insurance frauds
C05 5. Merchandise/supply swindles
C06 6. Phony contests
C07 7. Commodities frauds
C08 8. Ponzi schemes
C09 9. Chain referral schemes
C10 10. Debt consolidation schemes
C11 11. Overvaluation of goods/misrepresentation of goods/overbilling
C12 12. Gold/precious metal schemes
C13 13. False books and records
C14 14. False reports by public companies
C15 15. Insider trading
C16 16. Market manipulation of stock, prices
C17 17. Security issues fraud/private offerings
C18 18. False promotion of shell corporations
C19 19. Broker Dealer illegal activity
C20 20. Investment Adviser/Manager illegal activity
C21 21. Investment companies illegal activity
C22 22. Transfer agent illegal activity
C23 23. Fraud by Securities Exchange professionals
C24 24. Tender offer violations
C25 25. Tax shelter fraud
C26 26. Energy-related investment fraud
C27 27. Confidence swindles
C28 28. Distributorships and franchises
C29 29. Home improvements (mail frauds, overbilling, unnecessary work)

C30	30. Investment fraud generally
C31	31. Medical
C32	32. School
C33	33. Work-at-home
C34	34. Planned bankruptcies/bust out/bankruptcy fraud
C35	35. Retail liquor bottle refilling
C36	36. Underproofing and underfilling
C37	37. Counterfeiting bonds/securities (gas pipeline)
C38	38. Real Estate Settlement Costs Fraud
C39	39. Daisy-chain sales of oil
C40	40. Self-dealing/diversion of funds by attorney
C41	41. Fraud in auto sales/repair
C42	42. Indian land claim fraud
C43	43. Fraud involving real estate, other investments in foreign countries
C44	44. Fraudulent sale of art objects
C45	45. Use of worthless bonds
C46	46. Deceptive practices
C47	47. Installment purchases
C48	48. False billing
C49	49. Own-your-own-business scheme

D. Victimization of employees/Union irregularities

D01	1. Union shakedowns or abuses
D02	2. Misuse of pension, retirement funds/self-dealing
D03	3. Misuse or manipulation of other employee benefit plans (e.g., health insurance, life insurance)
D04	4. Violations of health, safety regulations by employers
D05	5. Improperly coerced political or other contributions
D06	6. Use of illegal alien labor
D07	7. Union officials/OC involvement in non-union enterprise
D08	8. Waterfront phantom workers
D09	9. Terrorizing employees attempting to unionize
D10	10. Violence against employees working during a strike
D11	11. Attempting to illegally unionize a factory
D12	12. Embezzlement/misappropriation of union funds (by officers)
D13	13. Underpayments to employees on construction projects
D14	14. Violation of Davis-Bacon and Related Acts
D15	15. Sweetheart deals and other labor/mgt. violations
D16	16. Parolees paid substandard wages
D17	17. Irregularities in union elections
D18	18. Payoffs to officials
D19	19. Extortion by union officials of business enterprises
D20	20. Kickbacks paid to union officials by private contractors (e.g., insurance broker)
D21	21. Union as ongoing criminal enterprise
D22	22. Federal law violations by union officials
D23	23. Unspecified labor irregularities
D24	24. Bribes paid by workers for permits to work

E. Victimization or misuse of governmental institutions, legal procedures and positions of trust (includes bribery, kickbacks or self-dealing involving public officials)

E01	1. Election irregularities
E02	2. Corruption or misuse of bankruptcy proceedings by debtors, attorneys, trustees, or referees
E03	3. Tax fraud
E04	4. Misuse or falsification of government securities
E05	5. Misuse of funds or institutions regulated or insured by the government
E06	6. Corruption of zoning or planning commissions
E07	7. Corruption involving government inspection programs
E08	8. Corruption of professional or occupational licensing
E09	9. Public payroll fraud or extortion
E10	10. Parole board irregularities
E11	11. Passport fraud
E12	12. Manipulation of sales by federally appointed auctioneers
E13	13. Sale of labor peace by corrupt officials
E14	14. Bribery of state legislators for favorable legislation/influence
E15	15. Self-dealing by public officials
E16	16. False claims for postal indemnity
E17	17. Ticket fixing/bribery
E18	18. Corruption involving federal procurement officials
E19	19. Conflict of Interest (including retired military officials)
E20	20. Transactions in stolen government bonds
E21	21. Indian tribal government corruption
E22	22. Corruption of state and local officials and agencies generally
E23	23. Tax protestor
E24	24. Immigration and Naturalization Service corruption
E25	25. Corruption, kickbacks to local, state officials to obtain local or state contracts
E26	26. Corruption of judiciary
E27	27. Bribery of state officials for job placement
E28	28. Bribery of abc inspectors/misuse of authority to issue and administer liquor licenses and permits
E29	29. Kickbacks to state (liquor commission) officials
E30	30. Local government officials engaged in firearms business
E31	31. Local officials protecting bootlegger for kickbacks
E32	32. Illegal sale of firearms seized and detained
E33	33. Bribery of customs workers
E34	34. Bribery, kickbacks, corruption generally (internal and external)
E35	35. Kickbacks for tax examiners/land assessors (local, state, federal)
E36	36. Corruption involving government surplus property donation program
E37	37. Corruption of government services officials (e.g., VA)
E38	38. Bribes to obtain state housing fund subsidies
E39	39. Corruption involving local public housing authorities
E40	40 Improper use of federally paid employees by city officials
E41	41. Unauthorized use of personnel by housing authority director
E42	42. Corruption involving government appraised housing programs
E43	43. Corruption of HUD employees
E44	44. Corruption in local educational system
E45	45. Corruption of state or local police force
E46	46. Corruption of local attorney/prosecutor
E47	47. Kickbacks to city officials for influence in awarding contracts/licenses

E48	48. Theft/self-dealing in U.S. Fish and Wildlife Service
E49	49. Use of government funds for election to national association
E50	50. Obstruction of justice
E51	51. Inmates payoff attorneys who pay off state officials, for illegal release
E52	52. Corruption/bribery of federal officials/political figures
E53	53. Irregularities in resident relocation projects
E54	54. Bribery of public gaming officials
E55	55. Bribery of SBA officials
E56	56. Bribery of, self-dealing by members of Congress
E57	57. Local police involvement in marketing "hot" money
E58	58. Payoffs, corruption involving transportation contracts for government personnel, particularly military personnel
E59	59. Embezzlement, misuse of CETA funds by prime or subprime sponsors
E60	60. Corrupt practices by Government employees involving acquisition programs (DOD)
E61	61. Illegal diversion of personnel and property (DOD)
E62	62. Fraud and theft by computer manipulation (DOD)
E63	63. Travel voucher/per diem fraud/pay and allowance (DOD)
E64	64. Willful destruction of immigration documents
E65	65. Improper adjudication of immigrant petitions
E66	66. Misuse/sale of immigration documents
E67	67. Misappropriation/destruction of alien or government property
E68	68. Misuse of official position/extorting money, sexual and other favors from alien in return for favorable actions
E69	69. Overtime fraud and abuse (at INS)
E70	70. Smuggling of aliens
E71	71. Prison corruption
E72	72. Misuse and fraud in local administration of federally funded programs

F. Victimization or manipulation of private institutions

F01	1. Misuse of charitable or non-profit institutions
F02	2. Insurance or reinsurance frauds
F03	3. Arson for profit
F04	4. Bank fraud or embezzlement (domestic and multinational)
F05	5. Commercial bribery or espionage
F06	6. Fraudulent application for or use of credit cards
F07	7. Purchase of controlling interest in business for purpose of looting or personal use of assets
F08	8. Frauds or thefts by computers
F09	9. Use of fictitious or overvalued collateral to get credit/business/false statements for credit
F10	10. Price-fixing, collusion, or other antitrust violations by sellers or buyers
F11	11. Offshore bank fraud/use of overseas bank accounts to launder money used for criminal activities
F12	12. Coupon redemption
F13	13. Directories
F14	14. Solicitations-false billings
F15	15. Organized crime takeover/hidden ownership
F16	16. Extortion/protection racket
F17	17. Fraud against business - looting, bribery, etc.
F18	18. Self-dealing by bank officials
F19	19. Check-kiting/passing worthless checks

F20 20. Commercial bribery of liquor retailers
F21 21. Fraud, improper acts by bank officials
F22 22. Acquisition of company by means of fraud (takeover bid after fraudulent contracts weakened company)
F23 23. Embezzlement of company assets by employee/fictitious invoices, etc.
F24 24. Tax fraud involving coal-related investments
F25 25. Overbilling for services or goods/payoffs to corporate officials
F26 26. Use of corporate funds for personal investments, self-dealing
F27 27. Theft of negotiable securities/travelers checks
F28 28. Wire fraud, scheme unspecified
F29 29. Unspecified financial crimes
F30 30. Wrongful conversions of duty payments by customs brokers

G. Suspected criminal violations of specific regulatory provisions

G01 1. Illegal dumping of toxic wastes
G02 2. Customs violations
G03 3. Oil pricing or allocation violations
G04 4. Violations of specific health and safety requirements
G05 5. Copyright violations
G06 6. Violations of currency and foreign transactions reporting act.
G07 7. Undervaluation of imported goods
G08 8. Marking of foreign products/false certification of merchandise as U.S. products
G09 9. Endangered species
G10 10. EPA/DOT Vehicle Regulations
G11 11. Child Pornography
G12 12. Quota Merchandise
G13 13. Trademark violations (false statements re country of origin)
G14 14. Neutrality (Munitions Control Act)
G15 15. Illegal Exports
G16 16. Currency transportation incidental to narcotics
G17 17. Importation of prohibited items/smuggling
G18. 18. Customs fraud (systematic violations)
G19 19. Improper campaign contributions, foreign sources
G20 20. Wildlife trafficking (customs)
G21 21. Export control violations/illegal exports
G22 22. ICC violations
G23 23. False country of origin
G24 24. SEC recordkeeping violations
G25 25. Investment Adviser/company regulation violations
G26 26. Counterfeiting currency/money orders
G27 27. Forgery of checks
G28 28. Illegal banking procedures re: cash deposits, drug money
G29 29. Improper discharge of wastewater
G30 30. Disclosure of proprietary information
G31 31. Interstate transportation of misbranded meat
G32 32. Federal Alcohol Administration Act Violations
G33 33. Firearms diversion
G34 34. Illegal manufacture/sale of explosives
G35 35. Misuse of security deposits
G36 36. Real Estate Settlement Procedures Act violations

G37	37. Interstate land sales violations
G38	38. NRC violations
G39	39. Mail Fraud
G40	40. False statement to EPA
G41	41. False statement to other regulatory agencies (Customs, Fish & Wildlife)
G42	42. Substantive violation of pollution control laws besides toxic dumping.
G43	43. Violation of Wild Horse Adoption Act.

H. Any other types of suspected white collar crime activity

H01	1. Theft and pilferage from piers/warehouses by public and shipping industry employers
H02	2. Fraud and theft by licensed custom house brokers
H03	3. International traffic in stolen vehicles and parts
H04	4. Art thefts
H05	5. Bank secrecy Act
H06	6. Cargo theft
H07	7. International transportation of stolen property
H08	8. Foreign Corrupt Practices Act violations
H09	9. Illegal tax shelters
H10	10. Gambling
H11	11. Business Investing in drug trafficking
H12	12. False applications - unemployment compensation
H13	13. False applications - loans
H14	14. Drug Smuggling
H15	15. OC Financing Drug Trade
H16	16. Illegal Lobbying (18 U.S.C. 1913)
H17	17. Fraudulent sale of social security cards
H18	18. Cigarette Smuggling to avoid state taxes
H19	19. Bombings for insurance money or to eliminate competition
H20	20. Cigarette Smuggling
H21	21. Victimization of public/unsafe explosive storage
H22	22. Bombings - for revenge/to hurt individuals (of property)
H23	23. Organized Crime/Bandido Motorcycle Gangs
H24	24. Firearms trade/manufacture (e.g. for narcotics)
H25	25. Firearms traffic by organized prison gangs
H26	26. Fraud concerning purchase of race horses/race tracks
H27	27. Illegal trade practices

APPENDIX C

FBI FIELD OFFICE SURVEY REGARDING MAJOR WHITE COLLAR CRIME PROBLEM AREAS – FEBRUARY 1980

At the request of the Criminal Division, the FBI agreed to include a question concerning white collar crime priorities in a survey transmitted to all FBI Field offices in early 1980. The field offices were first asked to rank four major *categories* or *program areas* of white collar crime–corruption, financial crimes, federal program fraud, and other white collar crime–in order of importance. They were then asked to list the top three *priority* or *problem areas* within each of the four major categories. Their responses, which were received during February 1980, are summarized on the following pages. Some interpretation of the responses has been necessary in order to group them in various categories.

A. Rankings Given Four Major White Collar Crime Program Areas

Program Area	No. 1 Rank	No. 2 Rank	No. 3 Rank	No. 4 Rank	Total
Corruption	33 (54%)	10 (16%)	15 (25%)	3 (5%)	61[1]
Financial Crimes	20 (33%)	24 (39%)	15 (25%)	2 (3%)	61
Federal Program Fraud	7 (11%)	24 (39%)	25 (41%)	5 (8%)	61
Other WCC	1 (2%)	3 (6%)	6 (9%)	50 (84%)	60
Total	61 (100%)	61 (100%)	61 (100%)	60 (100%)	

B. Priority Areas Within Each Category of White Collar Crime

1. Program Area: Corruption

Priority/Problem Area	No. of Field Offices Identifying As Problem Area
a. Corruption of State and Local Officials including kickbacks to purchasing agents, inspectors, legislators, members of judiciary, etc.	43 (71%)[2]
b. Labor-related corruption	28 (46%)
c. Procurement-related corruption of federal officials, including GSA and Defense	27 (44%)
d. Bribery, corruption, etc., of federal officials, other than procurement-related corruption	21 (34%)

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[1] Includes separate responses from three New York City area field offices: Brooklyn/Queens (BQE); Manhattan (MNH); and New Rochelle (NWR).

[2] Percentage of total number of offices responding (61).

2. Program Area: Financial Crimes

Priority/Problem Area	No. of Field Offices Identifying As Problem Area
a. Bank Fraud and Embezzlement	37 (61%)
b. Advance Fee Schemes	23 (38%)
c. Wire fraud/Mail fraud, scheme unspecified	22 (36%)
d. Bankruptcy Act/bust out schemes	21 (34%)
e. Investor Fraud Generally, including Ponzi schemes, franchise fraud, business opportunity fraud	15 (25%)
f. Internal Bank Fraud, Manipulation	13 (21%)
g. ITSP involving securities, negotiable instruments	12 (20%)
h. Commodities/Precious Metal Frauds	10 (16%)
i. Counterfeiting/check forgery	10 (16%)
j. Use of fictitious collateral to obtain credit	9 (15%)
k. Commercial kickbacks, bribery, etc.	6 (10%)
l. Arson for profit/insurance fraud	5 (7%)
m. Fraud involving offshore banks	4 (8%)

3. Program Area: Federal Program Fraud

Priority/Problem Area	No. of Field Offices Identifying As Problem Area
a. Housing/HUD frauds, including VA/FHA frauds	28 (46%)
b. Fraud involving health, rehabilitation and welfare programs, including Medicare/Medicaid	23 (38%)
c. Fraud involving CETA funds and other Department of Labor programs	23 (38%)
d. Fraud involving SBA loans or benefits	18 (30%)
e. Overbilling, fraud against the government involving construction and service contracts	16 (27%)
f. Fraud involving social security or disability benefits or other HEW programs	10 (16%)

Priority/Problem Area	No. of Field Offices Identifying As Problem Area
g. Fraud involving CSA programs, including weatherization	5 (8%)
h. Fraud involving veterans' loans or other benefits	5 (8%)

4. Program Area: Other White Collar

Priority/Problem Area	No. of Field Offices Identifying As Problem Area
a. Copyright violations (sound recordings and motion pictures)	28 (46%)
b. Securities Act violations	4 (7%)
c. Antitrust violations	2 (3%)
d. Energy regulation violations	2 (3%)

C. Priority Areas Ranked Across All White Collar Crime Categories

Priority/Problem Area	No. of Field Offices Identifying As Problem Area
1. Corruption of State and local officials including kickbacks to purchasing agents, inspectors, legislators, members of judiciary, etc.	43 (71%)[3]
2. Bank Fraud and Embezzlement	37 (61%)
3. Labor-related Corruption	28 (46%)
4. Housing/HUD frauds, including VA/FHA frauds	28 (46%)
5. Copyright violations	28 (46%)
6. Procurement-related corruption of federal officials, including GSA and Defense	27 (44%)
7. Advance fee schemes	23 (38%)
8. Fraud involving health, rehabilitation and welfare programs, including Medicare/Medicaid	23 (38%)
9. Fraud involving CETA funds and other Department of Labor programs	23 (38%)
10. Wire Fraud/Mail Fraud, scheme unspecified	22 (36%)

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[3] Percentage of total number of offices responding (61).

Priority/Problem Area	No. of Field Offices Identifying As Problem Area
11. Bribery, corruption of federal officials, other than procurement-related corruption	21 (34%)
12. Bankruptcy Act/bust out schemes	21 (34%)
13. Fraud involving SBA loans or benefits	18 (30%)
14. Overbilling, fraud against the government involving construction and service contracts	16 (27%)
15. Investor fraud generally, including Ponzi schemes, franchise fraud, business opportunity fraud	15 (25%)

APPENDIX D

DOCKET AND REPORTING SYSTEM CATEGORIES OF OFFENSE CODES

010	Official Corruption
020	Organized Crime
030	White Collar Crime/Fraud
040	Drug Dealing
045	Drug Possession
050	Civil Rights
055	Immigration
060	Government Regulations
065	Indian Offenses
070	Internal Security
075	Interstate Theft
080	Labor/Management
082	Checks/Postal
083	Bank Robbery
084	Assimilated Crimes
086	Motor Vehicle Theft
088	Theft Government Property
090	Other Criminal Prosecutions

APPENDIX E

BUREAU OF PRISONS OFFENSE CATEGORIES AND INFORMATION GATHERING SYSTEM

The Bureau of Prisons compiles information concerning federal prisoners under sentence and not under sentence, confined in BOP institutions as of the end of each fiscal year. BOP's statistics for September 30, 1978, and for September 30, 1979, respectively, are contained on the following pages.

The Bureau of Prisons' categories of offenses include a number of categories for white collar crime offenses, including the following:

1. Bankruptcy
2. Counterfeiting
3. Embezzlement
4. Forgery
5. Fraud
6. Income tax
7. Liquor laws
8. Securities, transporting false or forged

The Bureau's statistics allow a year by year comparison of the number of prisoners, their race and sex, and the average sentence within each category of offense.

TABLE 1

Federal Prisoners Under Sentence and not Under Sentence, Confined in Bureau of Prisons Institutions by Offense, Race, and Sex
September 30, 1978

Offense	Prisoners Under Sentence														NARA Commitments Incl. In Total	
	All Prisoners			White				All Other				Prisoners Not Under Sentence			
	Total	Male	Female	Number	Avg Sent.	Male	Female	Number	Avg Sent.	Male	Female	Male	Female	Under Sent.	Not Under Sent.
Total	24,052	22,632	1,420	14,158	99.0	13,580	578	9,731	122.1	8,909	822	143	20	252	25
*Excl. Immig. and VC.	15,763	14,629	1,134	9,994	71.8	9,545	449	5,663	72.6	4,994	669	90	16	203	19
Assault	140	130	10	58	107.3	54	4	79	94.7	73	6	3			
Bankruptcy	5	5		5	43.2	5									
Burglary	172	169	3	95	88.9	94	1	76	68.8	74	2	1			
Counterfeiting	379	366	13	308	68.0	302	6	69	51.0	62	7	2		2	
Drug Laws, Total	6,159	5,825	334	4,266	81.0	4,076	190	1,871	99.5	1,732	139	17	5	109	8
Non-Narcotics	1,029	996	33	946	51.1	917	29	81	62.6	77	4	2		4	
Narcotics	4,612	4,343	269	2,956	93.5	2,815	141	1,641	103.1	1,515	126	13	2	97	7
Controlled Substances	518	486	32	364	57.4	344	20	149	80.3	140	9	2	3	8	1
Embezzlement	189	162	27	126	55.2	109	17	61	37.7	52	9	1	1		
Escape, Flight or Harboring a Fugitive.	228	206	22	179	51.1	161	18	49	58.7	45	4			1	
Extortion	188	184	4	156	100.3	155	1	28	91.0	25	3	4			
Firearms	1,343	1,329	14	887	53.5	879	8	446	49.2	440	6	10		2	
Forgery	995	823	172	360	55.0	327	33	630	47.8	492	138	4	1	15	2
Fraud	654	619	35	482	50.4	460	22	164	40.5	151	13	8			
Immigration	1,005	969	36	986	16.7	951	35	18	20.3	17	1	1		1	
Income Tax	128	125	3	98	34.4	96	2	30	49.1	29	1				
Juvenile Delinquency	17	16	1	11	34.2	11		6	63.5	5	1				
Kidnaping	464	444	20	326	339.1	311	15	134	419.1	129	5	4		1	
Larceny/Theft, Total	3,278	2,930	348	1,869	59.3	1,780	89	1,393	47.8	1,139	254	11	5	24	2
Motor Vehicle, Interstate	1,194	1,172	22	945	55.3	927	18	245	54.6	241	4	4			
Postal	1,069	793	276	299	47.6	243	56	762	40.6	546	216	4	4	17	2
Theft, Interstate	299	295	4	208	72.6	206	2	91	59.7	89	2			2	
Other	716	670	46	417	69.8	404	13	295	57.1	263	32	3	1	5	

Table 1 (continued)

Federal Prisoners Under Sentence and not Under Sentence, Confined in Bureau of Prisons Institutions by Offense, Race, and Sex
September 30, 1978

Offense	Prisoners Under Sentence											Prisoners Not Under Sentence		NARA Commitments Incl. In Total	
	All Prisoners			White				All Other							
	Total	Male	Female	Number	Avg Sent.	Male	Female	Number	Avg Sent.	Male	Female	Male	Female	Under Sent.	Not Under Sent.
Liquor Laws	20	20		14	38.3	14		6	26.0	6					
National Security Laws	8	7	1	8	289.5	7	1								
Robbery	5,208	5,075	133	2,423	176.5	2,363	60	2,749	166.6	2,679	70	33	3	35	5
Selective Service Acts	2	2		1	36.0	1		1	18.0	1					
Securities, Transporting False or Forged	495	430	65	326	74.3	299	27	166	68.2	129	37	2	1	4	1
White Slave Traffic	46	41	5	19	75.7	18	1	27	65.5	23	4				
Other and Unclassifiable	883	839	44	658	93.1	631	27	206	96.9	190	16	18	1	5	
Government Reservation, High Seas, Territorial, and District of Columbia.	2,001	1,871	130	481	278.6	460	21	1,493	196.9	1,387	106	24	3	53	7
Assault	287	271	16	56	159.8	53	3	228	127.8	215	13	3		3	
Auto Theft	31	30	1	8	65.2	8		23	64.7	22	1				
Burglary	139	135	4	28	102.0	27	1	107	116.5	104	3	4		12	2
Forgery	32	27	5	3	116.0	2	1	29	83.3	25	4			2	
Homicide	591	549	42	213	422.8	204	9	374	341.0	342	32	3	1	2	
Larceny/Theft	136	119	17	30	67.2	27	3	102	90.6	90	12	2	2	11	
Robbery	454	427	27	65	213.5	62	3	386	183.1	362	24	3		7	1
Rape.	140	138	2	37	297.7	37		100	276.3	98	2	3			
Sex Offenses, Except Rape	38	34	4	10	121.2	9	1	28	123.4	25	3				
Other and Unclassifiable	153	141	12	31	102.3	31		116	85.5	104	12	6		16	4
Military Court-Martial Cases	45	45		16	262.5	16		29	322.6	29					

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* This total line excludes the Immigration Law and Violent Crime offenses whose unusual sentence lengths distort the average sentence length statistic. See the Introduction for a discussion.

Source: United States Bureau of Prisons.

TABLE 2

Federal Prisoners Under Sentence and not Under Sentence, Confined in Bureau of Prisons Institutions by Offense, Race, and Sex
September 30, 1979

Offense	Prisoners Under Sentence											Prisoners Not Under Sentence		NARA Commitments Incl. In Total	
	All Prisoners			White				All Other							
	Total	Male	Female	Number	Avg Sent.	Male	Female	Number	Avg Sent.	Male	Female	Male	Female	Under Sent.	Not Under Sent.
Total	20,556	19,295	1,261	12,248	100.5	11,696	552	8,187	132.3	7,494	693	105	16	148	18
*Excl. Immig. and VC	12,909	11,909	1,000	8,316	73.8	7,883	433	4,505	77.1	3,952	553	74	14	112	14
Assault	109	105	4	50	97.8	48	2	57	112.5	56	1	1	1		
Bankruptcy	12	12		12	30.5	12									
Burglary	122	120	2	80	94.1	79	1	42	82.2	41	1				
Counterfeiting	320	309	11	240	69.2	234	6	76	51.8	71	5	4		1	
Drug Laws, Total . . .	5,231	4,921	310	3,666	82.8	3,479	187	1,549	102.7	1,429	120	13	3	55	7
Non-Narcotics	791	763	28	717	54.1	696	21	72	54.9	66	6	1	1		
Narcotics	3,799	3,554	245	2,483	95.8	2,339	144	1,306	107.6	1,206	100	9	1	49	5
Controlled Substances.	641	604	37	466	57.7	444	22	171	85.3	157	14	3	1	6	2
Embezzlement	196	150	46	129	42.5	103	26	62	44.0	44	18	3	2		
Escape, Flight or Harboring a Fugitive.	162	139	23	122	45.1	108	14	40	52.2	31	9				
Extortion	160	156	4	124	124.9	123	1	31	96.3	28	3	5			
Firearms	891	883	8	603	59.4	598	5	284	52.3	281	3	4			
Forgery	728	614	114	305	51.6	275	30	421	51.0	337	84	2		11	1
Fraud	609	552	57	446	52.4	417	29	159	40.3	131	28	4			
Immigration	1,161	1,126	35	1,138	14.1	1,104	34	22	19.3	21	1	1			
Income Tax	139	137	2	117	27.3	116	1	22	53.7	21	1				
Juvenile Delinquency .	10	9	1	5	25.6	5		5	67.4	4	1				
Kidnaping.	439	424	15	301	355.7	293	8	135	413.6	128	7	3		1	
Larceny/Theft, Total .	2,588	2,312	276	1,495	58.5	1,415	80	1,083	48.7	888	195	9	1	12	
Motor Vehicle, Interstate	796	782	14	634	57.1	622	12	160	54.0	158	2	2			
Postal	870	664	206	272	47.3	229	43	593	41.0	431	162	4	1	8	
Theft, Interstate . . .	229	225	4	169	62.8	166	3	60	59.2	59	1			1	
Other	693	641	52	420	66.1	398	22	270	60.3	240	30	3		3	

Table 2 (continued)

Federal Prisoners Under Sentence and not Under Sentence, Confined in Bureau of Prisons Institutions by Offense, Race, and Sex
September 30, 1979

	Prisoners Under Sentence														
Offense	All Prisoners			White				All Other				Prisoners Not Under Sentence		NARA Commitments Incl. In Total	
	Total	Male	Female	Number	Avg Sent.	Male	Female	Number	Avg Sent.	Male	Female	Male	Female	Under Sent.	Not Under Sent.
Liquor Laws	15	15		10	37.1	10		5	33.6	5					
National Security Laws	5	5		5	201.6	5									
Robbery	4,518	4,405	113	2,107	177.5	2,051	56	2,393	173.3	2,337	56	17	1	31	3
Selective Service Acts	2	2		1	36.0	1		1	18.0	1					
Securities, Transporting False or Forged .	241	214	27	166	79.8	153	13	74	72.2	60	14	1		2	
White Slave Traffic . .	38	36	2	20	79.2	18	2	18	70.3	18					
Other and Unclassifiable	879	822	57	648	98.9	616	32	210	103.5	188	22	18	3	4	1
Government Reservation, High Seas, Territorial, and District of Columbia	1,936	1,782	154	441	281.3	416	25	1,470	202.3	1,346	124	20	5	31	6
Assault	256	240	16	44	124.9	42	2	208	135.9	194	14	4			
Auto Theft	29	26	3	5	76.8	5		24	55.7	21	3				
Burglary	134	128	6	28	107.1	26	2	100	130.8	96	4	6		5	2
Forgery	29	20	9	3	52.0	3		25	76.3	17	8		1	2	
Homicide	592	545	47	202	445.9	191	11	387	338.4	351	36	3		1	
Larceny/Theft	117	102	15	23	56.5	22	1	91	92.1	79	12	1	2	8	1
Robbery	432	402	30	59	177.1	53	6	371	191.4	347	24	2		3	1
Rape	140	139	1	31	290.7	31		109	259.4	108	1				
Sex Offenses, Except Rape	44	41	3	10	114.6	8	2	34	125.8	33	1				
Other and Unclassifiable	163	139	24	36	84.2	35	1	121	82.2	100	21	4	2	12	2
Military Court-Martial Cases	45	45		17	259.7	17		28	310.3	28					

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*This total line excludes the Immigration Law and Violent Crime offenses whose unusual sentence lengths distort the average sentence length statistic. See the Introduction for a discussion.

Source: United States Bureau of Prisons.

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